**THIS DOCUMENT IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this proposal or as to the action you should take, you should consult your insurance broker or other professional adviser without delay.

Further copies of this document and the enclosed voting forms can be obtained from the address listed on page 5. They may also be downloaded and printed from the website www.globalre.uk.com/mainstreamscheme

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PROPOSAL IN RELATION TO SCHEME OF ARRANGEMENT

pursuant to Part 26 of the Companies Act 2006 of Great Britain

between

GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

(former names The Christiania Reinsurance Company Limited, United Reinsurers Limited, Gerling Global Reinsurance Company Limited and Gerling Global General and Reinsurance Company Limited)

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

The meetings of Scheme Creditors to consider the Scheme of Arrangement (the "**Meetings"**) will be held on 17 December 2010 at the offices of Clyde & Co LLP, 51 Eastcheap, London, EC3M 1JP, United Kingdom. The Meetings will commence at 11am London time.

Notice of the Meetings is set out in Part III of this document.

The action required to be taken by Scheme Creditors is set out on page 14. Whether or not Scheme Creditors intend to be present at the Meetings, they are requested to complete and return the applicable form of proxy and voting form enclosed with this document as soon as possible.

If you have any questions relating to the schemes of arrangement please call the helpline number or send an email or fax to the Scheme Company using the contact details set out on page 5 of this document.

IMPORTANT NOTICE TO SCHEME CREDITORS

This document has been prepared in connection with the proposed scheme of arrangement (the "**Scheme**") pursuant to Part 26 of the Companies Act 2006 between GLOBAL General and Reinsurance Company Limited and its Scheme Creditors (as defined in the Scheme).

The Scheme Manager (as defined in the Scheme) is duly authorised by GLOBAL General and Reinsurance Company Limited to take all and any necessary steps on its behalf in connection with the promotion and implementation of the GLOBAL General Scheme.

The statements, opinions and information contained in this document are made, held or given respectively as at the date of this document unless another time is specified and such statements, opinions and information are made, held or given solely by or on behalf of GLOBAL General and Reinsurance Company Limited (the "**Scheme Company**") unless expressly attributed to another party.

Nothing contained in this document constitutes an admission of any fact or liability on the part of the Scheme Company or any other person in respect of any asset to which they may be entitled or any claim against them. No estimate of the amount of any claim against the Scheme Company specified in the voting form or otherwise provided for voting purposes shall be admissible against the Scheme Company or any other party. Such estimates shall only be used for voting purposes at the meetings of creditors to consider the Scheme, and shall not be binding on any party for the purpose of calculating payments under the Scheme.

The summary of the principal provisions of the Scheme and related matters contained herein is qualified in its entirety by reference to the Scheme itself, the full text of which is set out on pages 43 to 119. Scheme Creditors are advised to read and to consider carefully the text of the Scheme.

The Scheme Company has not authorised any person to make any representation, whether oral, written, express or implied, concerning the proposed Scheme, which is inconsistent with the statements made in this document. Consequently, if such representations are made, they should not be relied upon.

None of the contents of this document is intended to constitute legal, tax, financial or other professional advice. Each Scheme Creditor should consult its own professional advisers as to the legal, tax, financial or other matters relevant to the action it should take in connection with the Scheme.

PROSPECTIVE SCHEME ADVISER	**PROSPECTIVE INDEPENDENT EXPERT**	**PROSPECTIVE SCHEME MANAGER**
PricewaterhouseCoopers LLP Plumtree Court London EC4A 4HT United Kingdom Contact: Neil Gayner Mira Bhadresha	George Maher Towers Watson UK Limited 71 High Holborn London WC1V 6TP United Kingdom	GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom Contact: Anne Williams

UK LEGAL ADVISERS	**US LEGAL ADVISERS**
Clyde & Co LLP 51 Eastcheap London EC3M 1JP United Kingdom Contact: Geraldine Quirk Charlotte Al-Dahhan	Chadbourne & Parke LLP 30 Rockefeller Plaza New York NY 10112 USA Contact: Howard Seife Francisco Vazquez

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KEY DATES AND EXPECTED TIMETABLE

Ascertainment Date		31 December 2009
Forms of proxy and voting forms to be returned [(1)]	Midday (London time)	14 December 2010
Meetings of Scheme Creditors to vote on the Scheme		17 December 2010
Court hearing to sanction the Scheme [(2)]		January 2011
Effective Date of the Scheme [(2)]		January 2011
Final Claims Submission Deadline [(2)]	Midday (London time)	July 2011
Projected date for payment of Ascertained Claims [(2)]		2011

Notes:

[(1)] Guidance Notes and instructions for completion of the voting form are set out at Part IV of this document.

[(2)] These dates are tentative only since the date of the Court hearing to sanction the Scheme will only be confirmed if the Scheme is approved at the Meetings. Creditors will be kept advised of any changes to the key dates and expected timetable.

CONTACT DETAILS

All questions about the Scheme and the completion and return of voting and proxy forms should be addressed to Anne Williams of GLOBAL General and Reinsurance Services Limited, whose contact details are set out below. All forms (proxy, voting and Claim Forms) must also be returned to GLOBAL General and Reinsurance Services Limited.

GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom Tel: +44 (0) 20 7173 3320 Fax: +44 (0) 20 7173 3301
Email: enquiries.mainstreamscheme@globalre.uk.com
Website: www.globalre.uk.com/mainstreamscheme

PART I

LONG FORM EXPLANATORY STATEMENT

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PART I

LONG FORM EXPLANATORY STATEMENT

SECTION A: LETTER FROM THE SCHEME COMPANY

22 October 2010

TO: SCHEME CREDITORS/BROKERS

(as defined in the Scheme)

Dear Scheme Creditor/Broker

1. INTRODUCTION

We are writing to you in connection with the Scheme which the Scheme Company proposes to enter into with its Scheme Creditors **in relation to all of its remaining insurance and reinsurance business with certain limited exceptions**. The Scheme Company's ultimate aim is to finalise all its outstanding liabilities so that it can close down its operations. The Scheme is part of this process, and will deal with the vast majority of the Scheme Company's outstanding liabilities. However, closure of the Scheme Company will not be possible until the position in respect of the small amount of business excluded from the scope of the Scheme has been resolved, at which point the Scheme Company may be liquidated and any surplus capital returned to shareholders.

This letter forms part of the Long Form Explanatory Statement, the purpose of which is:

1. to explain the nature of a scheme of arrangement and how it becomes binding;
2. to provide background information in relation to the Scheme Company and its decision to promote a scheme of arrangement;
3. to explain who will be affected by the Scheme, summarise its main provisions and explain its advantages and disadvantages; and
4. to explain what steps Scheme Creditors should now take in connection with the Scheme.

The Scheme proposals will be formally submitted to Scheme Creditors for their approval at the forthcoming Meetings of Scheme Creditors which are scheduled to take place at the offices of Clyde & Co LLP, 51 Eastcheap, London, EC3M 1JP, United Kingdom at 11am on 17 December 2010.

Notice convening the Meetings is set out at Part III of this document.

Unless otherwise indicated, defined terms used in the Scheme have the same meaning when used in the Long Form Explanatory Statement. The Scheme is set out in full at Part II of this document, and the list of defined terms with their definitions can be found at clause 1 on pages 46 to 53. A summary of the principal provisions of the Scheme is at pages 22 to 34. Please note that the summary is a guide and should not be relied on in place of reading the Scheme itself.

The Scheme Company proposes that GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom be appointed as the Scheme Manager to implement and give effect to the Scheme on its behalf. Any queries in relation to the Scheme should therefore be directed for the attention of Anne Williams of GLOBAL General and Reinsurance Services Limited using the contact details set out on page 5.

In drafting the proposed Scheme, the Scheme Company has been advised by the Scheme Adviser and its legal advisers and has kept the Wholesale Insurance Firms Department at the United Kingdom Financial Services Authority ("**FSA**") informed of the proposals. The FSA has confirmed that it has no objection to the Scheme.

2. WHAT IS A SCHEME OF ARRANGEMENT AND HOW DOES IT BECOME BINDING?

A scheme of arrangement, such as that proposed here, is a compromise or arrangement between a company and its creditors (or any class of them) entered into pursuant to Part 26 of the Companies Act 2006.

A scheme of arrangement becomes legally binding on a company and its creditors or any class of them if:

(i) a majority in number representing 75% in value of the creditors, or each class of creditors, present and voting in person or by proxy, vote in favour of the scheme of arrangement at a meeting specially convened with the permission of the Court; and

(ii) the Court subsequently sanctions the scheme of arrangement; and

(iii) an office copy of the order of the Court to that effect is delivered for registration to the Registrar of Companies.

3. WHO WILL BE AFFECTED?

The Scheme is proposed between the Scheme Company and its Scheme Creditors. The term "Scheme Creditor" is defined in the Scheme itself but, in summary, means any person or organisation that has a Claim (as defined in the Scheme) arising under or in relation to an Insurance Contract, which (as defined in the Scheme) is any contract of insurance, reinsurance or retrocession entered into by the Scheme Company, subject to certain limited exceptions.

The scope of the Scheme therefore encompasses all of the Scheme Company's remaining insurance and reinsurance business with certain limited exceptions, described in more detail at Section C of this Long Form Explanatory Statement.

If you are in any doubt as to whether you have a policy which is within the scope of the Scheme please contact the Scheme Company using the details set out on page 5.

If you do not have a Claim against the Scheme Company you will be unaffected by the Scheme and will not be entitled to attend or vote at any of the Meetings.

4. WHAT WILL HAPPEN IF THE SCHEME BECOMES EFFECTIVE?

If the Scheme becomes effective, it will bind the Scheme Company and its Scheme Creditors, irrespective of whether they had notice of the Scheme and irrespective of whether they voted for or against the Scheme or not at all.

Scheme Creditors will be required to submit their Claims to the Scheme Company by completing and returning a Claim Form, which must be received by the Scheme Company by the Final Claims Submission Deadline, which falls 180 days after the Scheme comes into effect. Failure to return a duly completed Claim Form by that date will result in a Scheme Creditor's Claims being deemed to have been satisfied in full.

The Scheme Company will then attempt to agree each Scheme Creditor's estimated ultimate Claim under each of its policies falling within the scope of the Scheme. The Scheme Company's view of the estimated value of future and contingent Claims under insurance and reinsurance policies will be based on the actuarial principles set out in the Estimation Guidelines at Appendix 1 to the Scheme. The Estimation Guidelines are designed to assist Scheme Creditors in valuing their future and contingent Claims.

If Claims cannot be agreed, they will be determined by the Independent Expert whose decision will be final and binding on both parties (to the extent permitted by law).

5. CRYSTALLISATION AND RISK TRANSFER PREMIUM

It is intended that Claims determined whether by agreement or expert valuation under the Scheme will be paid to the extent of their value as determined under the Scheme after having deducted any Reinstatement Premium and taken account of any applicable Security, Letter of Credit or set-off.

The Scheme Company recognises that Scheme Creditors will no longer have any cover under their policies in respect of future claims, and there is a risk that the estimate of their future claims arrived at under the Scheme may be lower than the actual amount of those claims if left to mature in the ordinary course of business. The intended outcome of the Scheme is to place Scheme Creditors in no worse a position than they would be in if a solvent run-off was to continue. To this end, the Scheme Company is committing to paying Claims in full (as estimated) and with a Risk Transfer Premium, except in situations where no risk or only limited risk is being passed back to the Scheme Creditor, such as where policy limits have been reached.

In most cases, Scheme Creditors are expected to receive a premium over and above the value of their Claims in today's monetary terms, subject to the limitations set out in Appendix 3. This recognises the fact that risk is being transferred back onto the Scheme Creditor's balance sheet.

The Risk Transfer Premium consists of two parts: Firstly, the absence of discounting of future payments for time value of money. Secondly, an additional 4% to be paid on top of Scheme Creditors' undiscounted Claims.

The Risk Transfer Premium therefore constitutes a premium over and above the Present Value of a Scheme Creditor's Agreed Claim. That premium consists of the financial benefit achieved as a result of the absence of discounting for the time value of money, which results in a premium over the Present Value of the Agreed Claim; together with a further uplift of 4% over the Agreed Claim. The Scheme Creditor will effectively be receiving its Agreed Claim (being the undiscounted value of all of its Claims as determined under the Scheme) plus 4% (subject to some other adjustments, such as the application of set-off, provided for in the Scheme, and subject to the limitations set out in Appendix 3).

The additional uplift has been fixed at 4% because this equates to the Scheme Company’s estimated future claims handling costs, which the Scheme Company will no longer be incurring as a result of the Scheme, expressed as a percentage of gross claims reserves. The 4% uplift effectively permits Scheme Creditors to share in the savings of claims handling costs achieved by the Scheme Company as a result of the Scheme. The future claims handling costs are provided for in the balance sheet of the Scheme Company as at 31 December 2009. Financial information in respect of the Scheme Company is available for inspection at the locations specified at Appendix 1 to this Long Form Explanatory Statement.

The financial benefit of the Risk Transfer Premium increases in relation to the mean term over which a Scheme Creditor's Claims are expected to arise in the future in the absence of the Scheme. For illustration purposes only, in the case of a Scheme Creditor whose Claims are denominated in Sterling, and are expected to arise on average six years from the date of accelerated payment under the Scheme, the benefit received as a result of the Risk Transfer Premium is estimated to be in excess of 20%. In other words, the Scheme Creditor would receive over 16% more than the Present Value of its Claims as a result of the absence of discounting for time value of money, plus an additional 4% on its Agreed Claim (the aggregate value of all of a Scheme Creditor's Claims as determined under the Scheme, without discounting for the time value of money).

6. ADVANTAGES OF THE SCHEME

The Scheme Company considers that the Scheme will be advantageous to its respective Scheme Creditors for the following main reasons:

(i) **Early payment**. The Scheme should enable Scheme Creditors to have their Claims agreed or determined and paid at the value agreed or determined considerably sooner than if the run-off of the relevant business were to continue until all claims matured in the ordinary course. Payment of Claims under the Scheme is expected to take place as soon as possible once the Scheme becomes effective early in 2011.

(ii) **Risk Transfer Premium.** The Scheme Company is committing to paying Claims which are agreed or determined under the Scheme without any discount for the time value of money together with an additional uplift of 4% of the undiscounted best estimate of future liabilities (having deducted any Reinstatement Premium due from the Scheme Creditor and applied set-off), except where no risk or only limited risk is being passed back to the Scheme Creditor.

The combined effect of this is that, subject to the limitations set out in Appendix 3, Scheme Creditors are expected to receive a premium over and above the value of their Claims in today's monetary terms, which recognises that a degree of risk is being transferred to Scheme Creditors under the Scheme.

(iii) **Finality.** The Scheme will enable Scheme Creditors to achieve finality with regard to claims administration with the Scheme Company and to receive full and final payment of their Claims (as estimated), which may incorporate an agreed or an expert valuation of Notified Outstanding Claims and IBNR Claims. By implementing the Scheme, administration costs will be avoided which would otherwise be incurred by the Scheme Company and Scheme Creditors alike in dealing with claims in the ordinary course of business.

7. DISADVANTAGES OF THE SCHEME

Scheme Creditors should also be aware of the following possible disadvantages in considering the Scheme:

(i) **Valuation**. Scheme Creditors could be paid less under the Scheme in respect of their Claims than they would have received had the relevant business been run off in the normal course. Equally, they could receive more. The Scheme has been designed to ensure that Claims are valued and agreed in a fair, reasoned and principled manner, by reference to recognised principles and practices that would apply in the context of a commercial commutation. The Claims determination process will be based on information provided by the Scheme Creditor and disputes will be dealt with by the Independent Expert. The Scheme Company's assessment of the value of contingent and future Claims and any disputes determined by the Independent Expert will be based on the principles outlined in the Estimation Guidelines at Appendix 1 to the Scheme.

(ii) **Failure to submit a Claim Form by the Final Claims Submission Deadline.** The Scheme provides a mechanism for cutting off Claims. Claims notified after the Final Claims Submission Deadline will be deemed to have been satisfied in full and the Scheme Creditor concerned will have no further rights against the Scheme Company in respect of them. The Final Claims Submission Deadline is necessary to enable the Scheme Company to conclude the run-off of the relevant business. To ensure as far as possible that Scheme Creditors have the opportunity to complete and lodge Claim Forms in time, the Final Claims Submission Deadline will be advertised, and notice of it will be posted on the Scheme Company's website www.globalre.uk.com/mainstreamscheme and sent to (i) Scheme Creditors for whom contact details are available and (ii) brokers who (or whose predecessors) have been identified as having placed relevant business with the Scheme Company. The deadline does not apply to Pre-Scheme Agreed Claims. **Scheme Creditors should note that Claims in respect of which an indicative valuation has been agreed prior to the Effective Date must still be included on a Claim Form and submitted in accordance with Clause 11 of the Scheme.**

(iii) **Prohibition on Proceedings**. The Scheme prohibits the commencement or continuation of any Proceedings in order to obtain payment or establish the existence or quantum of a Claim against the Scheme Company without the Scheme Company's consent. However, it does provide for a simple cost effective and speedy process for resolving disputes in relation to Claims.

(iv) **No future cover**. As a result of the Scheme, the insurance and reinsurance liabilities of the Scheme Company to Scheme Creditors in respect of business included within the ambit of the Scheme will cease and subsequent losses which may have resulted in a claim against the Scheme Company in the ordinary course will not be covered.

Sections 6 and 7 above set out the main advantages and possible disadvantages of the Scheme for Scheme Creditors as identified by the Scheme Company. It is impossible, however, to address each Scheme Creditor's individual circumstances, and thus this list of advantages and disadvantages should not be regarded as exhaustive. Each Scheme Creditor is advised to make its own assessment of how the Scheme would affect its own interests, although the directors of the Scheme Company consider that the advantages referred to above outweigh the possible disadvantages.

8. RELIEF UNDER CHAPTER 15 OF THE UNITED STATES BANKRUPTCY CODE

If the Scheme is sanctioned, the Scheme Company will seek recognition and other relief in the United States of America under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court (the "**U.S. Bankruptcy Court**") to aid the effective implementation of the Scheme. The relief which the Scheme Company will seek under Chapter 15, including injunctive relief, is summarised in Appendix 4 to the Scheme. The U.S. Bankruptcy Court may grant relief if it determines that the Scheme is entitled to recognition under United States law and that the U.S. Bankruptcy Court is empowered to grant the relief requested in aid of the Scheme. If recognition is granted, the Scheme will be binding in the United States on all Scheme Creditors. Moreover, Scheme Creditors will be enjoined from proceeding against the Scheme Company in the United States in any manner that is not in compliance with the terms of the Scheme.

Further information in relation to the proceeding may be obtained from Chadbourne & Parke LLP, the Scheme Company's US legal advisers, at the address given on page 2 of this document.

9. WHAT ARE SCHEME CREDITORS REQUIRED TO DO?

If you are a Scheme Creditor, you are entitled to attend and vote at the relevant Meeting(s) of Scheme Creditors. Two separate Meetings will be held by the Scheme Company, one Meeting for Scheme Creditors with Notified Outstanding Claims and one Meeting for Scheme Creditors with IBNR Claims. If you are a Scheme Creditor and have both Notified Outstanding Claims and IBNR Claims you will be entitled to vote at both Meetings.

Once leave to convene the Meetings has been granted by the Court, those Scheme Creditors who wish to consult with other Scheme Creditors ("**Consulting Creditors**") in advance of the Meetings may send their contact details to the Scheme Manager at consult.mainstreamscheme@globalre.uk.com. The Scheme Manager will circulate a complete list of Consulting Creditors to other Consulting Creditors for this purpose on a weekly basis.

The Meetings will be held on 17 December 2010 commencing at 11 am (London time) at the offices of Clyde & Co LLP, 51 Eastcheap, London, EC3M 1JP, United Kingdom. Scheme Creditors may attend the relevant Meeting(s) in person (or, if a corporation or unincorporated association, by a duly authorised representative) or by proxy.

Forms of proxy and voting forms have been dispatched to Scheme Creditors for whom the Scheme Company has contact details together with a short form explanatory statement and a notice convening the Meetings. Further blank forms of proxy and voting forms are available on request from the Scheme Company or may be downloaded from the website www.globalre.uk.com/mainstreamscheme and printed. The purpose of completing a voting form is to provide supporting evidence for the valuation of your Claim which will enable the

Scheme Company, where necessary Graham Trowbridge (the "**Independent Vote Reviewer**"), who has been appointed to review the valuation of Claims for voting purposes in certain circumstances, and ultimately the chairman of the relevant Meeting, to assess the reasonableness of your Claim. Details of the Independent Vote Reviewer's expertise are set out in his curriculum vitae at Appendix 3 to this Long Form Explanatory Statement. Guidance Notes for completion of these forms and an explanation of certain provisions and requirements governing attendance at and conduct of the Meetings, including how votes will be valued, are at Part IV of this document. You should read these Guidance Notes carefully.

Whether you do or do not intend to be present in person at the relevant Meeting(s), you are requested to complete, sign and return the form of proxy and voting form in accordance with the instructions and notes printed on them and the Guidance Notes at Part IV of this document.

The Scheme Company would like as many votes as possible to be cast at the Meetings (whether in person or by proxy). Each Scheme Creditor is therefore encouraged to sign and return the form of proxy and voting form as soon as possible.

10. FURTHER ASSISTANCE

Scheme Creditors should, where necessary, contact their insurance broker or other intermediary in the first instance to obtain details of Insurance Contracts under which they may have a Claim. If, having done so, Scheme Creditors are still experiencing difficulty in identifying details of Insurance Contracts, the Scheme Manager may be able to provide assistance. Such Scheme Creditors should call the helpline number or contact the Scheme Manager by fax or email using the contact details which appear on page 5 of this Long Form Explanatory Statement.

Scheme Creditors are encouraged to come forward and discuss their Claims with the Scheme Company prior to the Meetings, with a view to resolving any potential issues and if desired agreeing an indicative valuation. Scheme Creditors wishing to do so should contact the Scheme Manager using the contact details set out on page 5 of this Long Form Explanatory Statement.

Scheme Creditors who are concerned about limitation periods expiring in relation to their Claims during the period before the Effective Date should contact the Scheme Manager to discuss a standstill agreement.

Any questions concerning the action Scheme Creditors are required to take, completion of the voting form or form of proxy and the Scheme generally should be referred to the Scheme Manager, GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom tel: +44 (0) 20 7173 3320, fax: +44 (0) 20 7173 3301, email: enquiries.mainstreamscheme@globalre.uk.com, marked for the attention of Anne Williams.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed at Appendix 1 to this Long Form Explanatory Statement will be available for inspection on reasonable notice by Scheme Creditors or their authorised representatives until the close of the Meetings between the hours of 9.00am and 5.00pm (local time) on Business Days at the addresses given at Appendix 1.

12. RECOMMENDATION FOR THE SCHEME

The directors of the Scheme Company consider that the Scheme is in the interests of both the Scheme Creditors and the Scheme Company and that overall the advantages to Scheme Creditors outweigh the disadvantages. All Scheme Creditors who are entitled to vote at the Meeting(s) are encouraged to vote in favour of the Scheme.

The Scheme Company urges Scheme Creditors to read the Scheme and supporting information contained in this document. The Scheme Company also urges Scheme Creditors to consider seeking professional advice in relation to the proposed Scheme.

Yours faithfully

Ulrich Bley

for and on behalf of

GLOBAL General and Reinsurance Company Limited

Maik Wandres

for and on behalf of

GLOBAL General and Reinsurance Company Limited

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION B: HISTORY OF THE SCHEME COMPANY AND FINANCIAL INFORMATION

The Scheme Company is a UK domiciled insurance company authorised by the FSA to carry out contracts of general insurance. It is a wholly owned subsidiary of GLOBALE Rückversicherungs-AG. The Scheme Company ceased active underwriting on 28 October 2002 and was placed in run-off.

1. HISTORY OF THE SCHEME COMPANY

General

The Scheme Company was incorporated in England on 16 April 1940 as The Christiania Reinsurance Company Limited. On 15 December 1943 it changed its name to United Reinsurers Limited and on 15 May 1961 to Gerling Global Reinsurance Company Limited. On 3 July 1970 it changed its name to Gerling Global General and Reinsurance Company Limited. It adopted its present name, GLOBAL General and Reinsurance Company Limited on 12 February 2004.

The Scheme Company has previously implemented the following solvent schemes of arrangement dealing with specific portfolios of business:

- The General Direct Scheme: This scheme was implemented in 2006, and dealt with the majority of the Scheme Company's Direct Insurance business. The following portfolios were included in the scope of the scheme:
  - The direct professional indemnity portfolio, underwritten in Belgium and Cologne from 1993 to 2000, and consisting of professional indemnity policies written mainly on a claims made basis.
  - The direct corporate liability portfolio, a broad liability account (including product and public liability business) written from 1972 to 1982.
  - The direct mining agency portfolio, written from 1996 to 2002, and administered by IMIU International Mining Industry Underwriters Limited ("**IMIU**"), comprising direct policies relating to property and business interruption for mining and associated companies.
  - The direct personal accident portfolio, comprising Triple Protection Plan policies underwritten on the Scheme Company's behalf by Classic Care Options Limited from October 1998 to December 2000 and administered by Sterling Life Limited.

  Any claim relating to a liability subject to compulsory insurance for the purposes of section 6 of the Policyholders Protection Act 1975, such as a claim under an employers' liability policy or the element of a policy providing cover in relation to employers' liability risks, was excluded from the scope of this scheme, as well as a defined list of policies and any policies that had not expired, other than the Triple Protection Plan policies. There was only one unexpired policy falling into this category.

- The GLM Scheme: This scheme was implemented in 2007, and dealt with liabilities arising out of the Scheme Company's participation in the underwriting pool managed by V.J. Wright Underwriting Limited from 1980 to 1990 and Wright Underwriting Group Limited (subsequently GLOBAL London Market Limited) from 1990, and known as the Global London Market (GLM) pool (formerly the V.J. Wright Pool). The scheme also dealt with a percentage of risks originally underwritten through the pool by National Employers' Mutual General Insurance Association Limited ("**NEMGIA**") in respect of which liability was assumed by the Scheme Company in 1990. The GLM Scheme excluded from its scope liabilities in respect of Swedish Motor Pool business. This comprised reinsurance on an excess of loss treaty basis to various Swedish insurers between 1981 and 1993 in respect of motor business. This business has since been commuted.

- The Pre-89 Reinsurance Scheme: This scheme, implemented in 2008, dealt with liabilities arising out of reinsurance business underwritten by the Scheme Company between 1940 and 1988, with the exception of reinsurances of policies underwritten by HS Weavers (Underwriting) Agencies Limited ("**HS Weavers**") and ME Rutty Underwriting Agencies Limited ("**ME Rutty**"). The Scheme Company has since entered into commutations with HS Weavers and with ME Rutty, in each case covering all known reinsurances of the business underwritten by the relevant party.

In parallel with the implementation of the three schemes of arrangement referred to above the Scheme Company has been proactively managing the run-off of business that was not included within the scope of any of the above schemes. As a result of that process, the Scheme Company has succeeded in resolving a number of outstanding issues and agreeing a number of commutations leading to a significant reduction in the size and volatility of its outstanding liabilities. It now wishes to implement a scheme to deal with the vast majority of the remainder of its business, to the extent possible.

Scheme Business

The vast majority of the Scheme Company's remaining business is made up of a portfolio of reinsurance business referred to as the Mainstream Portfolio. The Mainstream Portfolio consists of a mixture of liability and motor business with some property and marine business, which is almost exclusively inwards reinsurance of direct insurers, with small amounts of retrocessional or whole account covers. The majority of the business consists of excess of loss covers although there is some facultative and proportional business. The Scheme Company almost always used the stamp number G3502 in underwriting the Mainstream Portfolio.

In addition to the Mainstream Portfolio, the Scheme Company underwrote reinsurances of international mining business relating to property and business interruption risks for mining and associated companies, which together with the direct mining agency portfolio referred to above that was included in the scope of the General Direct Scheme, was administered by IMIU.

The Scheme Company wishes, to the extent possible, to resolve its liabilities in respect of all business not covered by its earlier schemes of arrangement. Accordingly, the Scheme will apply to all of the Scheme Company's remaining liabilities under contracts of insurance, reinsurance and retrocession underwritten by the Scheme Company with the exception of liabilities in respect of claims for compulsory employers' liability cover under Direct Insurance contracts. Claims for brokerage or legal and other costs owed by the Scheme Company (other than those for which a policyholder is entitled to claim pursuant to the terms of a policy included within the scope of the Scheme) are also excluded.

As a result of the active commutation process implemented by the Scheme Company, much of the business that was expressly excluded from the scope of its earlier solvent schemes has been commuted. As a result, the only business expressly excluded from the scope of the earlier solvent schemes that will be dealt with under the Scheme, to the extent that such business still gives rise to Claims, is:

- The unexpired policy excluded from the scope of the General Direct Scheme. The policy was written on a claims made basis and expired in 2006, and there are no outstanding claims.

- Any reinsurances of policies underwritten by ME Rutty or HS Weavers which were excluded from the scope of the Pre-89 Reinsurance Scheme, and which are not covered by the commutations since agreed by the Scheme Company with ME Rutty and HS Weavers. As far as the Scheme Company is aware, all contracts have been included within the scope of those commutations.

- The defined list of policies excluded from the scope of the General Direct Scheme, relating to a single policyholder. At the time of the General Direct Scheme, it was felt that it was too early to attempt to crystallise the Scheme Company's liability under those policies. However, in light of the amount of time that has now passed, the Scheme Company considers that it is possible to arrive at an accurate valuation and is in the process of discussing this with the policyholder concerned.

Finally, the claims of one policyholder which fall within the scope of the General Direct Scheme have yet to be finally resolved under that scheme, pending the outcome of litigation between that policyholder and a third party. For the avoidance of doubt, those claims have been expressly excluded from the scope of the Scheme now being proposed by the Scheme Company.

A description of Scheme Business is given in Section C below.

2. FINANCIAL POSITION

The Scheme Company's audited accounts as at 31 December 2009 and management accounts as at 30 June 2010 will be available for inspection on reasonable notice by Scheme Creditors until the close of the Meetings (London time) at the locations listed at Appendix 1 on page 35.

The Board considers that there have been no material adverse changes in the Scheme Company's financial position since the preparation of its last audited accounts.

3. DIRECTORS' INTERESTS

None of the directors of the Scheme Company is a shareholder of the Scheme Company.

None of the directors of the Scheme Company is a Scheme Creditor. The Scheme will not affect the directors' interests in the Scheme Company as directors and no additional remuneration will be received by them under the terms of the Scheme.

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION C: BUSINESS FALLING WITHIN THE SCOPE OF THE SCHEME

The Scheme Company has previously implemented three separate solvent schemes of arrangement dealing with different portfolios of its insurance and reinsurance business. As a result of these solvent schemes, the Scheme Company's liabilities in respect of the relevant business have been discharged and/or extinguished, and are not therefore affected by the Scheme. Details of the business included within the scope of these prior solvent schemes of arrangement are given in Section B of this Long Form Explanatory Statement under History of the Company.

The Scheme deals with the Scheme Company's existing and potential future liabilities under all insurance, reinsurance and retrocession contracts underwritten by it which have not fallen within the scope of its prior solvent schemes with the exception of:

(i) liabilities under insurance contracts or parts of insurance contracts providing the cover required by section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 of Great Britain or Article 5 of the Employers' Liability (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972. Where the insurance contract covers other types of risks, aside from compulsory employers' liability risks, claims arising out of those risks will fall within the scope of the Scheme.

(ii) liabilities such as claims for brokerage and legal and other expenses, except in so far as a policyholder is entitled to recover such amounts pursuant to the terms of a policy included within the Scheme.

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION D: SUMMARY OF THE SCHEME

1. INTRODUCTION

The proposed Scheme is set out at Part II of this document. Its main provisions are summarised below, but this summary should not be relied upon as a substitute for reading the Scheme itself in its entirety.

2. APPLICATION OF THE SCHEME

The Scheme will apply to Claims (as defined in the Scheme) against the Scheme Company. "Claims" means claims against the Scheme Company arising out of Insurance Contracts, (which includes direct, reinsurance and retrocession contracts) with certain exclusions. An explanation of the liabilities included within the Scheme and those that are excluded is set out above in Sections B and C. All Liabilities which are not within the ambit of the Scheme and claims for brokerage and legal and other expenses (except in so far as the latter are entitled to be recovered pursuant to the terms of a policy included in the Scheme) are unaffected by the terms of the Scheme.

3. CONTINUING PAYMENT OF CLAIMS

After the Scheme becomes effective, the Scheme Company will continue to pay all claims that have been crystallised in the ordinary course of business and prior to the Effective Date have been advised to and expressly agreed by the Scheme Company as due and payable by stamping the relevant claim file and the broker's claims settlement form or by electronic agreement via CLASS (described in the Scheme as Pre-Scheme Agreed Claims). This will be the case whether or not the Scheme Creditor concerned includes those claims on a Claim Form submitted to the Scheme Company. Such claims do not therefore constitute "Claims" as defined in the Scheme.

However, the Claim Form contains a section for including details of claims which the Scheme Creditor believes have already been agreed but have not been paid by the Scheme Company, and Scheme Creditors should include such claims where indicated. Scheme Creditors should be aware that notification of claims to brokers and/or the Scheme Company does not of itself mean that the claims have been agreed. Submitting details of claims which Scheme Creditors believe have been agreed on their Claim Forms will avoid the risk of a Scheme Creditor being prejudiced where it emerges after the Final Claims Submission Deadline that such claims had not in fact been agreed.

Claims in respect of which an indicative valuation is agreed prior to the Effective Date for the purposes of the Scheme are NOT Pre-Scheme Agreed Claims. Such Claims must still be included on a Claim Form and returned to the Scheme Manager in accordance with clause 11 of the Scheme.

4. PROCEEDINGS BY SCHEME CREDITORS

Save with the consent of the Scheme Company, Scheme Creditors will be prohibited from commencing or continuing any Proceedings against the Scheme Company or its Property for the purpose of establishing the quantum or obtaining payment of any Claim.

Any Scheme Creditor who contravenes this prohibition will be treated as having received an advanced distribution on account of his claim (if any) equal to the value of any money, Property, benefit or advantage obtained as a result. If that value exceeds the amount of the Scheme Creditor's Ascertained Claim, he will be obliged to pay the excess to the Scheme Company.

5. SUBMISSION OF CLAIM FORMS

Within 14 days of the Effective Date, blank Claim Forms will be distributed to all known Scheme Creditors for whom the Scheme Company has contact details (which the Scheme Company does not believe to be incorrect) and brokers identified as having placed business with the Scheme Company. In addition, notice of the Effective Date and the Final Claims Submission Deadline calling for Scheme Creditors to complete and return Claim Forms will be placed as far as may be practicable in the same publications used to advertise the meetings of creditors to vote on the Scheme.

In order to qualify for payment under the Scheme, Scheme Creditors must complete and return a Claim Form by the Final Claims Submission Deadline. When completing the Claim Form, Scheme Creditors should divide their Claims into Notified Outstanding Claims and IBNR Claims in accordance with the instructions on the Claim Form and insert the specific amount they seek to claim for Notified Outstanding Claims and/or IBNR Claims. Scheme Creditors must submit Claims on an undiscounted Best Estimate basis.

In the case of a personal injury claim that the Scheme Creditor expects to be settled as a PPO or on a lump sum equivalent basis, the undiscounted Best Estimate will be considered as the expected net present value of all future payments, capitalised as at the expected date when the terms of the PPO or equivalent lump sum will be determined or as at the Effective Date if they have already been determined. In calculating the capitalised value, Scheme Creditors will need to have regard to the assumptions referred to in Section 4.2 of the Estimation Guidelines.

The Scheme states that Claims will be valued as at the Ascertainment Date, 31 December

2009, being a date as at which Scheme Creditors can be expected to have carried out a valuation for their own accounting purposes, although in determining an Agreed Claim the Scheme Company will take account of developments occurring since that date. Scheme Creditors should therefore adjust Claim values to take account of developments occurring after the Ascertainment Date in accordance with the Estimation Guidelines and clause 11.4 of the Scheme.

The information Scheme Creditors will need to give in respect of their Claims and the kind of supporting evidence they should provide are set out in the Estimation Guidelines at Appendix 1 to the Scheme, the Supporting Evidence Guidelines at Appendix 2 to the Scheme, and to some extent, in the Guidance Notes which will accompany the Claim Forms. Scheme Creditors should take care to comply with these guidelines and the Guidance Notes and submit Claims in the correct format, providing as much supporting information as they can. This will enable the Scheme Company to agree and pay Scheme Creditors' Claims as quickly as possible.

The Scheme Company will accept Claims valued according to techniques other than those and/or supported by information other than that set out in the Estimation Guidelines provided these are adequately supported and, where relevant, the Scheme Creditor provides a full description of the techniques adopted and the assumptions made, together with justifications of those assumptions. Where the Scheme Creditor has adopted the approach set out in the Estimation Guidelines, the supporting information that should be provided is set out at Appendix 2 to the Scheme.

As already mentioned, Scheme Creditors should include in the Claim Form details of claims which they believe are Pre-Scheme Agreed Claims i.e. claims for unpaid balances that have crystallised in the ordinary course of business and in respect of which both liability and quantum have already been agreed by the Scheme Company stamping the relevant claim file and the broker's claims settlement form or by electronic agreement through CLASS. Pre-Scheme Agreed Claims are not affected by the Final Claims Submission Deadline and will be paid by the Scheme Company whether or not they are included in a Claim Form submitted by that deadline. However, Scheme Creditors should include details of all claims which they believe to be Pre-Scheme Agreed Claims in their Claim Forms where indicated, to ensure that they do not lose out in the event that it emerges after the Final Claims Submission Deadline that the Scheme Company has not in fact agreed those claims. The Scheme Company will add any claims included in the Claim Form as Pre-Scheme Agreed Claims which it has not in fact agreed to the Scheme Creditor's Notified Outstanding Claims, to be agreed or determined under the Scheme.

Scheme Creditors who are unsure, notwithstanding the Estimation Guidelines, of the approach they should take in calculating a value for their future and contingent Claims should contact the Scheme Company. The Scheme Company will work with that Scheme Creditor to establish an appropriate method of valuation.

Scheme Creditors should note that estimates of the value of their Claims submitted to the Scheme Company may not be protected by privilege under English law and may be discoverable at the instance of a third party with a claim against the Scheme Creditor in any Proceedings to which the Scheme Creditor may be party. **Scheme Creditors should consult their own legal advisers as to the consequences of furnishing such particulars in the event that they are, or may become, involved in any litigation with third parties.**

Claim Forms must be received no later than the Final Claims Submission Deadline (noon (London Time) 180 days after the Effective Date). Scheme Creditors may submit new or revised Claim Forms and provide revised or further information in respect of Claims at any time up to the Final Claims Submission Deadline or the time when the Scheme Creditor's Agreed Claim is established, if earlier. Scheme Creditors should return their Claim Forms to the Scheme Manager and in **all** instances Claim Forms must be received by noon (London time) on the Final Claims Submission Deadline.

Any communications required under the Scheme may be given or sent by the Scheme Company, the Scheme Manager, the Independent Expert, the Scheme Adviser or the Scheme Creditor concerned in electronic form. However, the electronic mail and any attachments must be less than 15 megabytes in size and a hard copy of any electronic mail must also be sent by Post if requested. Receipt of an automated acknowledgement will constitute conclusive proof that the electronic mail was sent, but it must be capable of being opened and printed. Where any communication to the Scheme Company in electronic form exceeds 15 megabytes in size, the electronic mail should be split into multiple electronic mails, each of which must be less than 15 megabytes in size, including any attachments.

6. FAILURE TO RETURN CLAIM FORMS

If a Scheme Creditor's correctly completed Claim Form is not received by the Final Claims Submission Deadline, that Scheme Creditor will not be entitled to receive any payment in respect of its Claims, which will be deemed to have been satisfied in full.

The Final Claims Submission Deadline is noon (London time) on the day on which a period of 180 days from the Effective Date expires.

Scheme Creditors should note that Claim Forms should be returned to the Scheme Manager (at the address provided on page 5 of this Long Form Explanatory Statement) and in all instances they must be received by noon (London time).

As mentioned above, the Scheme Company will settle all unpaid balances that prior to the Effective Date have been advised to and agreed by the Scheme Company as due and payable by stamping the relevant claim file and broker's claims settlement form or by electronic agreement via CLASS, provided those Claims are not time barred or otherwise unenforceable, whether or not the Scheme Creditor concerned submits details of such balances on a Claim Form.

7. PROCEDURE FOR AGREEING CLAIMS

The Scheme Company will consider the Claim Forms returned to it and will notify Scheme Creditors in writing of whether it agrees or disputes their Claims within 100 days of the Final Claims Submission Deadline. The Scheme Company's assessment of the reasonableness of Claims will be based on the actuarial principles contained in the Estimation Guidelines, although as already mentioned, the Scheme Company may accept Claims valued according to other techniques and/or supported by information other than that set out in the Supporting Evidence Guidelines at Appendix 2 to the Scheme where these are adequately supported. In valuing Claims arising out of personal injury claims which have been, or which the Scheme Creditor anticipates will be, settled as PPOs or on a lump sum equivalent basis, the Scheme Company will seek to take account of the risk of a change in the life expectancy of the underlying claimant or a variation in the terms of the original settlement, having regard to the specific facts of each individual claim, the terms of the order or settlement and the available medical evidence.

If the Scheme Company agrees the Scheme Creditor's Claims, notification of agreement will be accompanied by a Determination Notice. This is a notice setting out the amount of the Scheme Creditor's Agreed Claim as calculated by the Scheme Company in accordance with the principles set out in the Estimation Guidelines. Unless a Scheme Creditor to whom a Determination Notice has been sent objects to the amount of its Agreed Claim as shown in that Determination Notice in writing within 21 days of the date of that notice, the amount of its Agreed Claim as set out in the Determination Notice will become binding.

If a Scheme Creditor does so object the matter will be referred to the Independent Expert as a Disputed Claim.

If the Scheme Company disputes a Claim, the written notice sent to the Scheme Creditor will set out the disputed areas and explain the reasons for disputing them. It may also include a request for additional information. The Scheme Creditor has 28 days from the date of the notice to provide that information and to respond to the issues raised by the Scheme Company as grounds for disputing the Claim, failing which the Scheme Company will be entitled to send the Scheme Creditor a Determination Notice.

If a Scheme Creditor's Claims are not agreed within 156 days of the Final Claims Submission Deadline, they must be referred to the Independent Expert as Disputed Claims. The Scheme Company is however entitled at any time prior to that deadline either to refer a dispute to the Independent Expert or to send the Scheme Creditor concerned a Determination Notice.

In any of its dealings with the Scheme Company, the Independent Expert or the Scheme Adviser, the Scheme Creditor may appoint an agent, attorney or representative ("**Agent**") to act on its behalf and the Scheme Company may, at its absolute discretion, require the Agent or the Scheme Creditor to provide evidence of the Agent's authority and its scope, before dealing with the Agent under the Scheme.

A flowchart illustrating the procedure for agreeing Claims is at Appendix 2.

8. INDEPENDENT EXPERT PROCEDURE

The Independent Expert Procedure, which is set out at clause 14 of the Scheme, has been specifically designed to deal with Disputed Claims as expeditiously, economically and fairly as possible. Disputed Claims will be valued by a third party Independent Expert who will value such Disputed Claims in accordance with the Estimation Guidelines. It is proposed that George Maher of Towers Watson UK Limited be appointed as Independent Expert. The Independent Expert has been chosen because of his specialist knowledge and experience, details of which are contained in his curriculum vitae at Appendix 4, and because of the lack of any prior commercial connection with the Scheme Company that could give rise to a conflict of interest in discharging his functions.

The Independent Expert will review all the information provided in respect of the Disputed Claim and may request additional information from the Scheme Creditor or the Scheme Company, or a meeting with either of them to discuss the Disputed Claim. At any time prior to the Independent Expert's valuation of the Disputed Claim, the Scheme Creditor or the Scheme Company may request a meeting with the Independent Expert for the purpose of discussing the Disputed Claim and any supporting evidence. In most cases, any costs incurred by the Independent Expert in dealing with the disputed matters, including his own remuneration, will be borne by the Scheme Company. The Independent Expert may, however, determine in his absolute discretion that the Scheme Creditor should bear some or all of those costs. Factors which may cause the Independent Expert to exercise this discretion include, but are not limited to:

(a) submission by a Scheme Creditor of a Claim which in the Independent Expert's opinion is wholly without merit; and/or

(b) the Scheme Creditor acting unreasonably during the claims determination process and rejecting a valuation of its Claim which, in the Independent Expert's opinion, was entirely reasonable.

The amount of a Scheme Creditor's share of any such costs will be deducted from its Agreed Claim, any excess over the amount of its Agreed Claim constituting a debt to the Scheme Company.

The Independent Expert's decision will be final and binding on the Scheme Company and all Scheme Creditors to the extent permitted by law.

There are provisions in the Scheme that apply should a conflict of interest arise in respect of any Disputed Claim referred to an Independent Expert. These provisions provide for the appointment of an alternate Independent Expert.

9. AGREED CLAIMS AND CALCULATION OF ASCERTAINED CLAIMS

Once the value of a Scheme Creditor's Claims has been determined, whether by agreement or expert valuation, the resulting amount is referred to as an Agreed Claim.

A Scheme Creditor's Agreed Claim will be adjusted as described in clause 15.1 of the Scheme by deducting the amount of any Reinstatement Premium calculated as being due from the Scheme Creditor; applying set-off; adding the 4% uplift provided for as part of the Risk Transfer Premium (subject to the limitations set out in Appendix 3 of the Scheme); deducting any costs apportioned to that Scheme Creditor by the Independent Expert; and deducting the amount of any applicable Security.

Any balance remaining due to the Scheme Creditor after these adjustments will be that Scheme Creditor's Ascertained Claim. It is also possible that the adjustments may result in a Liability to the Scheme Company.

The provisions governing the application of set-off are at clause 18 of the Scheme. In essence, claims the Scheme Company has against a Scheme Creditor arising out of that Scheme Creditor's reinsurance of the Scheme Company, whether in respect of Scheme Business or otherwise, and which have been agreed by the Scheme Creditor, will be set off against that Scheme Creditor's Agreed Claim.

Scheme Creditors' rights to enforce any Security or Letters of Credit they hold in respect of a Claim are unaffected by the Scheme, as are the Scheme Company's rights in respect of any improper enforcement of Security. Any surplus remaining after enforcement of any Security or Letter of Credit must be returned to the Scheme Company.

10. RISK TRANSFER PREMIUM

As discussed above, the Risk Transfer Premium consists of:

(a) the benefit resulting from the absence of discounting for the time value of money; and

(b) an upward adjustment of 4% to the undiscounted amount of the Agreed Claim after the deduction of any Reinstatement Premium and the application of set-off.

It will be applied in all cases except where no risk or only limited risk is being passed back to the Scheme Creditor.

When calculating a Scheme Creditor's Ascertained Claim as described in paragraph 9 above, the Scheme Company will also calculate the total estimated value of the benefit conferred on the Scheme Creditor as a result of the Risk Transfer Premium, where is applies having taken account of the principles set out in Appendix 3. The Scheme Company will prepare a schedule showing the total amount of the Risk Transfer Premium for that Scheme Creditor, being the difference between:

(a) The Present Value of the Scheme Creditor's Agreed Claim; and

(b) The Scheme Creditor's Agreed Claim (being the undiscounted value of all its Claims as determined under the Scheme) plus 4%;

in each case, having deducted any Reinstatement Premium due and applied set-off.

A schedule showing the calculation of the Scheme Creditor's Risk Transfer Premium will be sent to each Scheme Creditor along with the Valuation Statement (see paragraph 12 below). In the limited circumstances where the Risk Transfer Premium does not apply, the Scheme Company will provide a schedule showing how the amount of any discount applied has been calculated.

11. SET-OFF

As is often the case where there are mutual balances due between parties, it is appropriate for those balances to be set off against each other, leaving a net balance due from one party. Hence the Scheme provides that amounts due from the Scheme Company to a Scheme Creditor under the Scheme in respect of Agreed Claims can be set off against all amounts owed by that Scheme Creditor to the Scheme Company in the capacity of reinsurer of the Scheme Company, whether arising out of reinsurance of Scheme Business or otherwise, provided that the Scheme Creditor and the Scheme Company agree on the amount of any such set-off.

12. VALUATION STATEMENTS

Notice of the adjustments made to a Scheme Creditor's Agreed Claim pursuant to clause 15.1 and the resulting amount of that Scheme Creditor's Ascertained Claim or Liability to the Scheme Company (the "**Valuation Statement**") will be sent to the Scheme Creditor. The Valuation Statement will, where relevant, be accompanied by a schedule showing how any Reinstatement Premium deducted from the Agreed Claim and any Liability applied in set-off were calculated. In cases where the Risk Transfer Premium applies, the schedule will include an illustration of the estimated value to the Scheme Creditor of the Risk Transfer Premium, being the difference between:

(a) the Agreed Claim (being the undiscounted value of all the Scheme Creditor's Claims as determined under the Scheme) plus 4%; and

(b) the Present Value of the Agreed Claim;

in each case after the deduction of Reinstatement Premium and application of set-off.

In the limited cases where the Risk Transfer Premium does not apply, the schedule will also show how the amount of any discount applied to the Agreed Claim was calculated. Scheme Creditors must raise any objections they have to the information set out in the Valuation Statement within 28 days of the date of the statement. No objections may be raised in relation to the amount of the Scheme Creditor's Agreed Claim, which at this stage will have become binding on the Scheme Company and the Scheme Creditor, other than to point out an arithmetical error; or, where applicable, to the rate used in discounting the Agreed Claim, which will be the Risk Free Rate. Scheme Creditors are not entitled to object to the amount of any Liability of the Scheme Creditor applied in set-off which has previously been agreed by the Scheme Creditor. If the Scheme Company does not agree with the objections raised by the Scheme Creditor, the dispute will be dealt with by the Independent Expert who will also determine the resulting amount of the Ascertained Claim. The Independent Expert's determination will be binding to the extent permitted by law.

If a Scheme Creditor does not raise any objections to the Valuation Statement and, if applicable, where the amount shown as having been applied in set-off has been agreed, the Ascertained Claim shown in the Valuation Statement will become binding.

A flowchart illustrating the process of establishing Ascertained Claims under the Scheme is at Appendix 2 to this document.

13. PAYMENT OF ASCERTAINED CLAIMS

As soon as practicable following determination of all Ascertained Claims, the Scheme Company will review its assets and liabilities in order to assess its Available Distributable Amount i.e. the amount available to pay Ascertained Claims taking into account its Non-Scheme Liabilities. Provided the Available Distributable Amount is sufficient, all Ascertained Claims will be paid by the Scheme Company in full and final settlement of Scheme Creditors' Claims.

The Scheme Company may make payment to a Scheme Creditor at any time after that Scheme Creditor's Ascertained Claim has been determined, provided that the Scheme Company is satisfied that it will be able to pay all Ascertained Claims in full.

The Scheme provides that any amount payable to a Scheme Creditor in respect of a Claim which, in accordance with the Insurance Contract, is payable in any currency other than US Dollars, Australian Dollars or Euros, will be paid in Sterling. Claims in Sterling, US Dollars, Australian Dollars or Euros will be paid in the currency of the Claim.

Where an Agreed Claim and any sum to be applied to it by way of set-off or deducted pursuant to clause 15 of the Scheme are not payable in the currency specified for payment in the Scheme, the sum to be applied in set-off or deducted shall be converted into the currency of payment at the Exchange Rate.

Payments will be made by telegraphic transfer, provided the Scheme Creditor has given full details of the account into which the funds should be transferred. Otherwise payment will be made by cheque. If, however, payment made by telegraphic transfer is returned to the Scheme Company and a replacement transfer is not requested within six months from the date of the initial transfer, or a cheque has been dispatched but has not been presented for payment within six months from the date of posting, the sums representing the unclaimed payment will belong to the Scheme Company absolutely and the Scheme Creditor concerned will have no further right to payment in respect of its Ascertained Claim, provided that the Scheme Adviser is satisfied that the Scheme Company has used its reasonable endeavours to make payment.

14. REVERSION TO RUN-OFF

The Scheme provides that the Scheme Company may terminate the Scheme at any time before payment (other than an early payment) is made to a Scheme Creditor if the Board has issued written confirmation that the Scheme Company has been notified of Claims materially and prejudicially in excess of reserves in respect of Scheme Business.

If the Scheme terminates before it has been fully implemented, the Scheme Company will send notice to that effect to all relevant Scheme Creditors of whom it is aware and for whom it has contact details. The Scheme Company will then revert to run-off, agreeing Claims in the normal course. The rights of Scheme Creditors and the Scheme Company in respect of Claims will be the same as they would have been if the Scheme had never been implemented. This means that the Scheme Company will no longer be able to reject a Claim on the grounds that it was not submitted on a Claim Form prior to the Final Claims Submission Deadline. However, if a Scheme Creditor's Ascertained Claim was established under the Scheme prior to reversion to run-off, it is open to the Scheme Creditor and the Scheme Company to agree that the Ascertained Claim should remain binding if that is what they both want.

The Scheme Company may also with the agreement of the Scheme Creditor terminate the Scheme in relation to a particular Claim or group of Claims, provided such Claim(s) have not been referred to the Independent Expert for determination. This power can be exercised if the Scheme Company considers, having consulted the Independent Expert, that the Claim or group of Claims may be materially affected by an issue or factor which has yet to be resolved, making it particularly difficult to value unless and until the issue or factor is resolved. This might occur if the Claims were subject to market litigation, or if losses were continuing to develop in such a way that it is not possible to arrive at a realistic estimate of the value of the Claims. Any such Claim will then be run off in the ordinary course of business, unaffected by the Scheme.

For limitation purposes the Scheme provides that time will cease to run from the date on which the Scheme becomes effective until the date the Scheme Company reverts to run-off or a particular Claim or group of Claims revert to run-off. This means that the Scheme Company will not subsequently be entitled to reject a Claim on the basis that it has become time barred during the Scheme Period. For the avoidance of doubt, time will start to run again, for limitation purposes, from the date on which the Scheme terminates or a Claim or a group of Claims revert to run-off.

15. TERMINATION

If the Scheme is fully implemented with all Ascertained Claims being paid in full, it will terminate on instructions being given to the Scheme Company's bank for the last telegraphic transfer to be made to the account of a Scheme Creditor or, if later, the last cheque being dispatched to a Scheme Creditor.

In certain circumstances, the Scheme will terminate before being fully implemented. It may terminate where a decision is made by the Scheme Company to revert to run-off, in which case the Scheme will terminate on notice being given to Scheme Creditors that the Scheme Company has reverted to run-off. If the Scheme Company reverts to run-off, the rights of Scheme Creditors and the Scheme Company in respect of Claims will be the same as they would have been if the Scheme had never been implemented. This means that Scheme Creditors will be able to pursue Claims whether or not they were included on a Claim Form returned prior to the Final Claims Submission Deadline. However, if a Scheme Creditor's Ascertained Claim was established under the Scheme prior to reversion to run-off, it will be open to the Scheme Creditor and the Scheme Company to agree that the Ascertained Claim should remain binding.

The Scheme will also terminate if the Scheme Company becomes subject to any Insolvency Proceedings (as defined in the Scheme).

16. THE SCHEME MANAGER

The Scheme appoints a Scheme Manager to act on behalf of the Scheme Company. The Scheme Manager will be appointed to act from the Effective Date until the final implementation of the Scheme and will have the powers prescribed by the Scheme to manage and conduct the affairs of the Scheme Company in so far as they relate to the Scheme. The powers, rights, duties and functions of the Scheme Manager are set out in clause 31 of the Scheme.

17. THE SCHEME ADVISER AND THE INDEPENDENT EXPERT

The Scheme appoints a Scheme Adviser who may provide advice to the Scheme Company to facilitate the carrying out of the Scheme. The Scheme Adviser will have full access to the relevant books, papers and other records of the Scheme Company to the extent necessary to perform its functions under the Scheme. The functions of the Scheme Adviser are set out at clause 28 of the Scheme.

The proposed Scheme Adviser is PricewaterhouseCoopers LLP. The Scheme Adviser will be remunerated by reference to hours spent in carrying out its functions, at a discount to the usual hourly rates for the staff involved. In addition, the Scheme Adviser may receive a bonus on completion of the assignment at the absolute discretion of the Scheme Company. Scheme Creditors are not entitled to challenge the validity of any act done or omitted to be done by the Scheme Adviser in connection with the Scheme.

As previously referred to, the Scheme also appoints an Independent Expert, whose main function will be to determine the value of any Disputed Claim referred to him under the Scheme, and who must be consulted and whose agreement may be required if the Scheme Company wants to terminate the Scheme in relation to one or more Claims. The Independent Expert will be entitled to engage independent professional advisers to assist him, and can request further information from the parties or request them to attend a meeting with him.

The prospective Independent Expert is George Maher of Towers Watson UK Limited. The Independent Expert is independent and is required to act in good faith and with due care and diligence.

Neither the Scheme Company nor Scheme Creditors are entitled to challenge anything done or omitted to be done by the Independent Expert in good faith and with due diligence in carrying out his role under the Scheme. The Independent Expert also benefits from an exclusion of liability for negligence and an indemnity from the Scheme Company, the terms of which are set out in clauses 35.2 and 35.3 of the Scheme respectively.

Curricula vitae for the Independent Expert and the Scheme Adviser are at Appendices 4 and 5 respectively to this Long Form Explanatory Statement.

During the Scheme Period, Scheme Creditors have an obligation under the Scheme to provide any assistance reasonably requested by the Scheme Adviser or the Independent Expert, as well as by the Scheme Company. The Scheme Company has similar obligations to the Scheme Adviser and the Independent Expert.

18. THE BOARD AND SENIOR MANAGEMENT

Throughout the Scheme Period, all managerial powers, rights, duties and functions will remain with the Board and senior management.

19. BROKERS

Brokers are asked to notify all potential Scheme Creditors of whom they are aware of the Scheme proposals and to advise them to submit their Claim Forms by the Final Claims Submission Deadline.

Some brokers may have made payments to Scheme Creditors in respect of, for example, claims against or premiums due from the Scheme Company. Where that funding took place otherwise than at the request of or under a contractual obligation to the Scheme Company, the broker will only be entitled to claim in the Scheme in respect of the funded amount if he provides evidence of the assignment of the funded Claim to him or written confirmation from the policyholder that the broker may claim in its place in respect of the funded Claim. Brokers should provide such evidence or written confirmation when filling in the Claim Form.

For the avoidance of doubt, claims for brokerage are not included within the scope of the Scheme.

20. LLOYD'S SYNDICATES

The Scheme Company accepted reinsurance of Lloyd's Syndicates and ceded business to them. In law, a contract with a Lloyd's Syndicate is a series of contracts with individual Lloyd's members, under which each is responsible for his own proportion.

In the context of set-off, application of the strict legal position would give rise to uncertainty and insurmountable practical problems. The Scheme adopts a practical alternative, allowing a Lloyd's Syndicate, for all underwriting years, to be treated as a single entity.

21. OTHER PROVISIONS

Some general provisions dealing with modifications to the Scheme, the discretion to extend deadlines laid down by the Scheme, the service of notices under the Scheme and the calculation of time periods under the Scheme are set out at clauses 44, 45, 46 and 47 respectively of the Scheme.

22. GOVERNING LAW AND JURISDICTION

The Scheme will be governed by and construed in accordance with the laws of England and the Scheme Creditors agree that the Court shall have exclusive jurisdiction to hear and determine any dispute which may arise out of the Long Form Explanatory Statement or the documentation dispatched to Scheme Creditors with notice of the Meetings, any provision of the Scheme or the operation of the Scheme. For such purposes, the Scheme Creditors irrevocably submit to the jurisdiction of the Court.

22 October 2010

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION E: APPENDICES TO THE LONG FORM EXPLANATORY STATEMENT

APPENDIX 1

DOCUMENTS AVAILABLE FOR INSPECTION

1. Audited accounts of the Scheme Company as at 31 December 2009.

2. Regulatory returns of the Scheme Company as at 31 December 2009.

3. Management accounts of the Scheme Company as at 30 June 2010.

The above documents or copy documents will be available for inspection on reasonable notice by Scheme Creditors until the close of the Meetings (London time) at the following locations during ordinary business hours on any Business Day.

GLOBAL General and Reinsurance Company Limited	**Chadbourne & Parke LLP**	**Clyde & Co LLP**
c/o GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom	30 Rockefeller Plaza New York NY 10112 USA	51 Eastcheap London EC3M 1JP United Kingdom
Contact: Anne Williams	Contact: Howard Seife Francisco Vazquez	Contact: Geraldine Quirk Charlotte Al-Dahhan

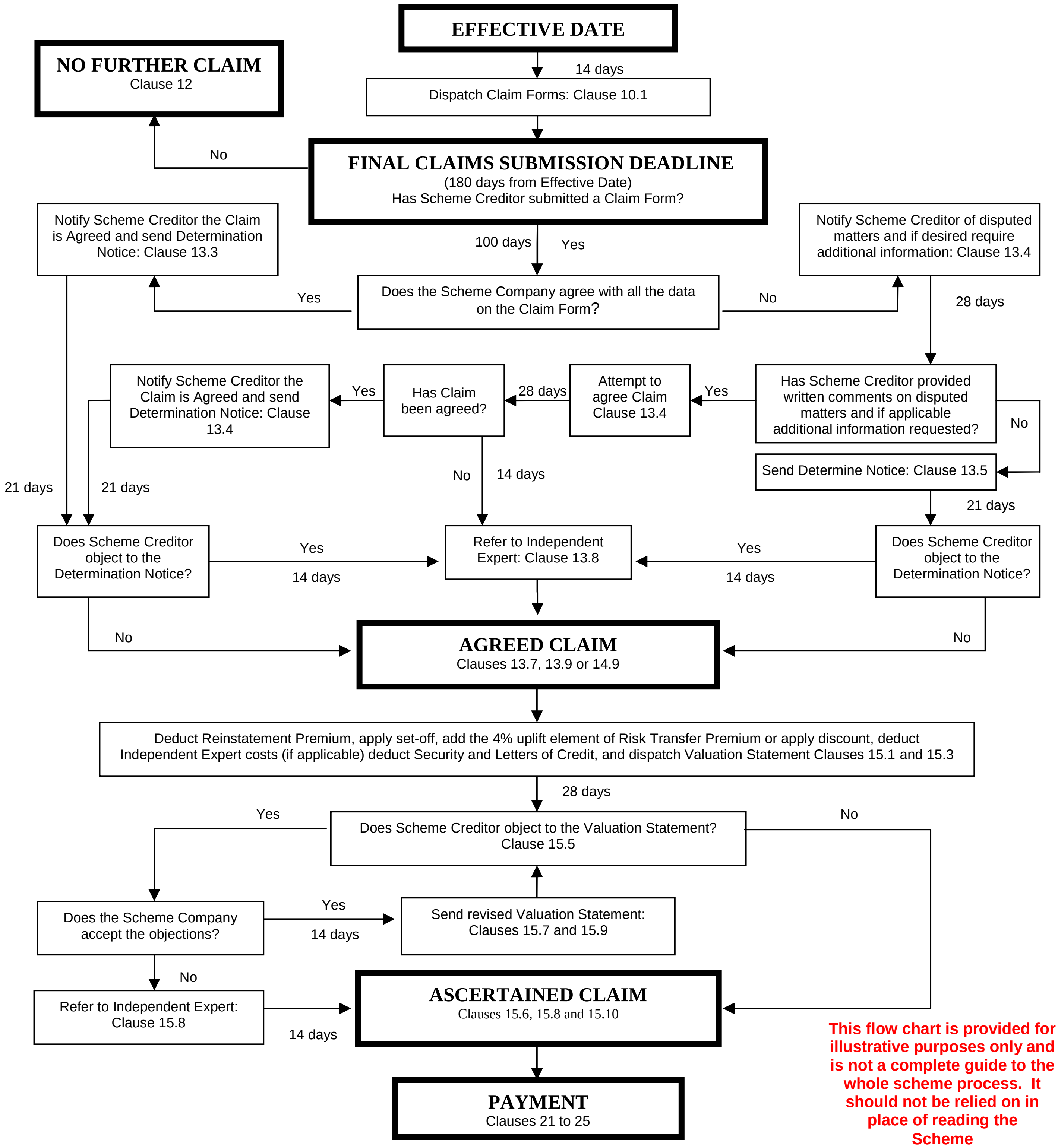
PART I

LONG FORM EXPLANATORY STATEMENT

SECTION E: APPENDICES TO THE LONG FORM EXPLANATORY STATEMENT

APPENDIX 2

FLOWCHART: ESTABLISHING ASCERTAINED CLAIMS


EFFECTIVE DATE
14 days
Dispatch Claim Forms: Clause 10.1
NO FURTHER CLAIM
Clause 12
No
FINAL CLAIMS SUBMISSION DEADLINE
(180 days from Effective Date)
Has Scheme Creditor submitted a Claim Form?
Notify Scheme Creditor the Claim is Agreed and send Determination Notice: Clause 13.3
Notify Scheme Creditor of disputed matters and if desired require additional information: Clause 13.4
100 days
Yes
Does the Scheme Company agree with all the data on the Claim Form?
Yes
No
28 days
Notify Scheme Creditor the Claim is Agreed and send Determination Notice: Clause 13.4
Yes
Has Claim been agreed?
28 days
Attempt to agree Claim Clause 13.4
Yes
Has Scheme Creditor provided written comments on disputed matters and if applicable additional information requested?
No
Send Determine Notice: Clause 13.5
21 days
21 days
No
14 days
21 days
Does Scheme Creditor object to the Determination Notice?
Yes
14 days
Refer to Independent Expert: Clause 13.8
Yes
14 days
Does Scheme Creditor object to the Determination Notice?
No
AGREED CLAIM
Clauses 13.7, 13.9 or 14.9
No
Deduct Reinstatement Premium, apply set-off, add the 4% uplift element of Risk Transfer Premium or apply discount, deduct Independent Expert costs (if applicable) deduct Security and Letters of Credit, and dispatch Valuation Statement Clauses 15.1 and 15.3
28 days
Yes
Does Scheme Creditor object to the Valuation Statement? Clause 15.5
No
Does the Scheme Company accept the objections?
Yes
14 days
Send revised Valuation Statement: Clauses 15.7 and 15.9
No
Refer to Independent Expert: Clause 15.8
14 days
ASCERTAINED CLAIM
Clauses 15.6, 15.8 and 15.10
PAYMENT
Clauses 21 to 25

This flow chart is provided for illustrative purposes only and is not a complete guide to the whole scheme process. It should not be relied on in place of reading the Scheme

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION E: APPENDICES TO THE LONG FORM EXPLANATORY STATEMENT

APPENDIX 3

CURRICULUM VITAE OF THE INDEPENDENT VOTE REVIEWER

Graham Trowbridge has worked in the London Insurance and Reinsurance market for over forty years. Most recently, he has been self-employed as a consultant, and has completed various contracts with the London Reinsurance Market during 2008 and 2009. In addition, he has worked for the Examinations Department of the Chartered insurance Institute in roles including moderation and assistant examiner. Graham was also the Independent Vote Reviewer for the Pre-89 Reinsurance Scheme.

Up to retirement (April to December 2005), Graham worked with PRO Insurance Solutions Ltd. handling the inwards reinsurance claims on a London Market Pool account in run-off.

Prior to that, Graham worked for Claims Management Group Limited (CMGL) as a claims manager, handling the London Market Excess Loss (LMX) inwards business of the Zurich Group's main shareholder companies – Turegum Insurance Company, and Eagle Star Insurance Co. Ltd.

During his career Graham worked for companies such as Eagle Star, Gerling Global General, New York Reinsurance Corporation, Jardine Thompson Graham and Highlands Insurance Co. In addition, he worked for Eastgate at the time of Lloyd's "Reconstruction & Renewal", preparing syndicate data prior to the establishment of "Equitas".

Graham's experience has been heavily weighted towards dealing with claims within the reinsurance business, mainly excess of loss, but also some facultative, and proportional treaty. In addition to claims work, Graham has, as a deputy underwriter, accepted LMX risks, and prepared and checked contract wordings.

Graham has had many years experience of managing teams of claims handlers of up to 20 people. He has also conducted in-house training sessions on reinsurance, devised and presented seminars for market practitioners, accountants, and lawyers on "long tail" claims in LMX.

Graham has dealt with all classes of insurance and reinsurance business, including Non-Marine, Marine, and Aviation and has ample experience in the handling "long tail" liability claims, principally Asbestos/Pollution/Health Hazard (APH).

Graham is currently Secretary of The London Reinsurance Group (formerly known as The LMX Discussion Group) which is a market forum which considers all current issues from both an inwards and outwards perspective, with the aid of guest speakers and presentations by Group members.

In the 1980's Graham sat on the PSAC (subsequently LIRMA) Claims Committee, which helped to mould the current LPC system, and was especially concerned with standardising screen formats, and the mechanics of central settlement.

As mentioned earlier, Graham has always supported and been involved with the Chartered Insurance Institute and the Insurance Institute of London, acting as a moderator and assistant examiner for the CII's Examination Panel, and participating in the CII's Continuing Professional Development programme.

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION E: APPENDICES TO THE LONG FORM EXPLANATORY STATEMENT

APPENDIX 4

CURRICULUM VITAE OF THE INDEPENDENT EXPERT

Credentials and professional experience

George Maher read Mathematics at Trinity College, Dublin and Classics at Birkbeck College, London. He is a Fellow of the Institute of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries in Ireland. He has been a holder of a Lloyd's Signing Actuary Certificate from the Institute of Actuaries and a Signing Actuary Certificate from the Society of Actuaries in Ireland. He is currently a signing actuary under Swiss regulations and under Central Bank of Bahrain regulations.

He has been a member of the various working parties of the General Insurance Study Group and co-authored "Some Aspects of Reserving in the London Market" which was presented to the Casualty Actuarial Society. In 1995 he presented a sessional paper to the Institute of Actuaries entitled "Loss Reserves in the London Market".

He has served on the Council of the Society of Actuaries in Ireland and has been Chairman of its General Insurance Committee.

George was a member of the Institute of Actuaries Working Party on Individual Capital Assessments.

George joined Tillinghast, a predecessor company of Towers Watson, in 1987. He was elected Principal of Towers Perrin in 1997.

Selected project experience

He has extensive experience of reserving in the UK including Lloyd's Marine and Non-Marine syndicates. He has led projects for non-UK clients, including insurers and reinsurers writing in Continental Europe, the Middle East and the United States. A number of these projects have been associated with the merger or acquisition of insurers and transfer of business. He also has assisted clients in their evaluation of their capital adequacy for transaction, rating and regulatory purposes and in their development of Enterprise Risk Management frameworks.

George has assisted self-insureds in their review of insurance buying, captive feasibility and broker selection. Industries covered include oil and gas, property, transportation, security, marine, food retail, bloodstock and fine art.

Significant projects in which he has been involved include the demutualisation of the Norwich Union, the privatisation of the Italy national insurer INA and the restructuring of SASRIA, the South Africa riot and terrorism insurer. He was a member of the actuarial team which produced the first actuarial review of the Weavers pool. George was part of the Equitas actuarial review team as part of Lloyds R&R. He assisted the Irish Insurance Federation in its review of the Irish insurance market as part of a government commissioned study of the market and presented his findings to a committee of the joint houses of the Irish Parliament. This work involved generalised linear modelling of the entire motor portfolio of the country. He worked with the International Group of P&I clubs in their review of Marine large loss exposures. He assisted Tesco in their negotiations with the Royal Bank of Scotland as Tesco acquired full control of the banking and insurance joint venture. He participated in the first audit of the INS, the Costa Rica monopoly insurer and led the first actuarial review.

George was the Scheme Adjudicator for the M&G Scheme of Arrangement and is the Scheme Actuary for the Reliance Scheme of Arrangement. Other Scheme of Arrangement appointments include acting as a Scheme Adjudicator, Vote Valuer or Expert Witness for English and American, Minster, Scottish Lion, ING, WFUM and Deutsche Re.

Recent presentations

He is a frequent speaker at conferences on capital requirements and risk management. Recent Conference presentations include:

- The 2010 Practitioners Forum on General Insurance Pricing. “Rethinking Personal Lines Pricing in Response to Current Capital Constraints” 27-29 April 2010

- Claims Reserving Risk for General Insurers Under Solvency II “Deterministic vs. Stochastic Reserving” 17 March 2010

- A Concise Technical & Regulatory Update on the Insurance Run-Off Market across the UK and Europe “Assessing the Impact of the Financial Crisis and Declining Asset Values on the Run-Off Sector” 29 September 2009

- Actuarial Society of South Africa. Short-Term Insurance Convention. “Enterprise Risk Management & Rating Agencies” 27 July 2009

- Managing Risk & Capital at Lloyd’s Under Solvency II “Managing the ‘Forgotten Risks’ in Turbulent Markets (including Credit, Market and Liquidity Risk)” 18 June 2009

PART I

LONG FORM EXPLANATORY STATEMENT

SECTION E: APPENDICES TO THE LONG FORM EXPLANATORY STATEMENT

APPENDIX 5

CURRICULUM VITAE OF THE SCHEME ADVISER

PricewaterhouseCoopers LLP (PwC) is a leading provider of accelerated exit advice to the solvent and insolvent insurance market.

These include solvent schemes for:

- ARIG Insurance Company Limited
- City General Insurance Company Limited
- Compagnie Européenne d'Assurances Industrielles S.A.
- Dunedin Pool of Companies (Tower Insurance Limited, Continental Management Services Limited, Cornhill Insurance Public Limited Company, and Dowa Insurance Company (Europe) Limited) in relation to their underwriting through Dunedin Underwriters (HMT) Limited
- The Dutch Aviation Pool (which comprises 18 Dutch companies, including DAP Holdings)
- Europäische Rückversicherungs-Gesellschaft in Zurich (European Reinsurance Company of Zurich)
- FIGRE Limited
- The GLM Pool (acting as advisers to Ecclesiastical Insurance Office Plc, GLOBAL General and Reinsurance Company Limited, MMA IARD Assurances Mutuelles, and Swiss Reinsurance Company in relation to their underwriting through V.J. Wright “Underwriting” Limited and, subsequently, by GLOBAL London Market Limited)
- GLOBAL General and Reinsurance Company Limited
- GLOBALE Rückversicherungs-AG
- Great Lakes Reinsurance (UK) plc
- Hassneh Insurance Company (UK) Limited

- La Metropole S.A.
- Ludgate Insurance Company Limited
- Marlon Insurance Company Limited
- Mercantile & General Reinsurance Company Limited
- Minster Insurance Company Limited together with Malvern Insurance Company Limited, The Contingency Insurance Company Limited, Progress Insurance Company Limited, GAN Assurances (formerly GAN Assurances IARD), QBE Insurance (Europe) Limited and The Reliance Fire and Accident Insurance Corporation Limited
- La Mutuelle du Mans Assurances IARD
- The National Insurance and Guarantee Corporation Limited
- Pearl Assurance plc
- The Prudential Assurance Company Limited
- Riverstone (Stockholm) Insurance Corporation (PUBL)
- Scottish Eagle Insurance Company Limited
- Unione Italiana (UK) Reinsurance Company Limited
- Various subsidiaries of ING Group ("The Seven Provinces" Insurance Company Limited, "Transatlantica" Herverzekering Maatschappij NV, Nationale-Nederlanden Schadeverzekering Maatschappij NV, Nationale-Nederlanden Internationale Schadeverzekering Maatschappij NV and Mercantile Mutual Insurance (Australia) Limited)
- The WFUM Pools (acting as advisers to Allianz Insurance Plc, Allianz Global Corporate & Specialty (France), Continental Reinsurance Corporation International Limited, Mitsui Sumitomo Insurance Company (Europe), Limited, The Ocean Marine Insurance Company Limited and Tokio Marine Europe Insurance Limited)
- European Reinsurance Company of Zurich

PART II

THE SCHEME OF ARRANGEMENT

SCHEME OF ARRANGEMENT

(PURSUANT TO PART 26 OF THE COMPANIES ACT 2006 OF GREAT BRITAIN)

between

GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

(former names The Christiania Reinsurance Company Limited, United Reinsurers Limited, Gerling Global Reinsurance Company Limited and Gerling Global General and Reinsurance Company Limited)

and its

SCHEME CREDITORS

(as defined in the Schemes of Arrangement)

DATED 22 OCTOBER 2010

CLYDE&CO

Clyde & Co LLP
51 Eastcheap
London
EC3M 1JP
Ref: GEQ/ 1005410

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PART 1: PRELIMINARY

1. Definitions

1.1 In the Scheme, unless the context otherwise requires or otherwise expressly provides, the following expressions shall bear the following meanings:

"Act" the Companies Act 2006 of Great Britain;

"Admissible Interest" any interest provided for in an Insurance Contract or any relevant statute or any other relevant law or judgment;

"Agent" an agent, attorney or representative;

"Agreed Claim" the amount determined as being due from the Scheme Company in respect of a Scheme Creditor's Claims pursuant to clauses 13.7, 13.9 or 14.9 without any discount for the time value of money;

"Ascertained Claim" the balance, if any, calculated as remaining due from the Scheme Company to a Scheme Creditor pursuant to clauses 15.6 or 15.8 following the adjustments made to the Scheme Creditor's Agreed Claim pursuant to clause 15.1;

"Ascertainment Date" 31 December 2009;

"Australian Dollars" or "AUD" Australian Dollars, being the lawful currency of the Commonwealth of Australia for the time being;

"Available Distributable Amount" the amount available for payment by the Scheme Company to its Scheme Creditors pursuant to clause 21;

"Best Estimate" an estimate that is not biased either upwards or downwards and is intended to represent the mean of the distribution of possible outcomes;

"Board" the board of directors of the Scheme Company from time to time;

"Broker" any broker who placed relevant business with or on behalf of the Scheme Company, or, if applicable, any successor to such a broker;

"Business Day" between 9.30 am and 5.30 pm in England on any day other than Saturday, Sunday or any other day on which banks in the City of London are not open for business;

"Claim" any claim in respect of a Liability (not being an Excluded Liability) arising under or in relation to any Insurance Contract constituting part of the Scheme

Business to which the Scheme Company is subject at the Effective Date or to which it may become subject after the Effective Date by reason of an obligation incurred before that date including any claim for Admissible Interest but excluding Pre-Scheme Agreed Claims;

"Claim Form" the document entitled Claim Form sent to Scheme Creditors of the Scheme Company pursuant to clause 10.1 in which Scheme Creditors are to insert details of their Claims;

"CLASS" the system for electronic claims advice and agreement operating in the London market and known as the Claims Loss Advice and Settlement System;

"Court" the High Court of Justice of England and Wales;

"Determination Notice" a notice sent by the Scheme Company to a Scheme Creditor setting out the amount the Scheme Company determines is due to the Scheme Creditor in respect of Claims submitted in accordance with the provisions of the Scheme and the amount which the Scheme Company calculates to be the Scheme Creditor's Agreed Claim;

"Direct Insurance" the cover provided by an insurer to a non-insurer policyholder, as opposed to any reinsurance cover provided to cover insurance risks written by another insurer;

"Disputed Claim" a Claim referred to the Independent Expert in accordance with clauses 13.6.1, 13.8, or 20.1.2;

"Effective Date" the date on which an office copy of the order of the Court sanctioning the Scheme is delivered for registration to the Registrar of Companies;

"Estimation Guidelines" the actuarial guidelines for use in valuing Claims set out in Appendix 1 to the Scheme;

"Euros" or **"€"** the single currency adopted by participating Member States in furtherance of economic and monetary union under Article 109 of the Treaty of the European Union;

"Exchange Rate" the closing mid-market rate of exchange applying to a particular currency as quoted by The Financial Times on the Effective Date;

"Excluded Liability"

(a) any Liability of the Scheme Company to (i) a broker, intermediary or agent in respect of brokerage, commission, fees, costs or disbursements or (ii) an attorney, lawyer, counsel or other legal or professional representative in respect of legal or other costs and disbursements ("Costs") unless such Costs are recoverable by a Scheme Creditor pursuant to the terms of an Insurance Contract;

(b) any Liability of the Scheme Company arising under or in connection with:-

(i) any Insurance Contract that is a contract of Direct Insurance or any part of such a contract providing the cover required by section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 of Great Britain, Article 5 of the Employers' Liability (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972; and

(ii) the Insurance Contracts that are contracts of Direct Insurance between the Scheme Company and one of its policyholders falling within the scope of the solvent scheme of arrangement between the Scheme Company and certain of its direct policyholders which became effective on 8 February 2006 and which as at the Effective Date have yet to be resolved under that scheme;

"Final Claims Submission Deadline" noon (London time) on the day on which a period of 180 days from the Effective Date expires, or, if such day is not a Business Day, on the Business Day next following;

"Group Undertaking" in relation to a policyholder has the same meaning as that given to the same term for the purposes of the Companies Act 2006 as contained in section 1161(5) of the Companies Act 2006;

"IBNR Claim" an incurred but not reported Claim, being a Claim for:

(a) the amount payable by the Scheme Company in respect of a loss which as at the Ascertainment Date has been incurred but has not been reported to the Scheme Creditor; plus

(b) an estimate of the amount payable by the Scheme Company in respect of a general excess over a Notified Outstanding Claim to the extent that the estimate of that Notified Outstanding Claim may prove to be inadequate;

as adjusted pursuant to clause 11.4;

"Independent Expert" the person named as such in clause 33.1 or such other person as shall for the time being be appointed as Independent Expert in accordance with clause 33.1 or as an alternate or additional Independent Expert in accordance with clause 33.2, to value Disputed Claims;

"Independent Expert Procedure" the procedure for valuation of Disputed Claims set out in clause 14;

"Insolvency Act" Insolvency Act 1986 of Great Britain;

"Insolvency Proceedings" in respect of any person:

(a) the suspension of payments, any moratorium of payment of debts, winding up, administration or re-organisation (by way of voluntary arrangement, insolvent scheme of arrangement, composition with creditors or otherwise);

(b) the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets;

(c) any analogous procedure or step in any jurisdiction.

"Insolvent" unable to pay one's debts within the meaning of section 123 of the Insolvency Act;

"Insurance Contract" a contract or a policy of insurance, reinsurance or retrocession of any kind whatsoever entered into by or on behalf of the Scheme Company or in relation to which the Scheme Company has assumed liability;

"Letter of Credit" any valid letter of credit issued to or for the benefit of a Scheme Creditor in respect of any Insurance Contract forming part of the Scheme Business;

"Liability" any debt or liability (being a liability to pay money or money's worth) of a person whether it is present or future, certain or contingent, whether its amount is fixed or liquidated or is capable of being ascertained by fixed rules or as a matter of opinion, including any liability under any enactment (in England and Wales or in any other jurisdiction) and any liability in contract, tort or bailment or arising out of an obligation to make restitution or in any other manner whatsoever provided that such expression does not include any debt or liability which is barred by statute under English law or the law of any other jurisdiction which represents the governing law of that liability or is otherwise unenforceable. For the avoidance of doubt, where any contract or policy is void or, being voidable, has been duly avoided, no obligation or liability shall arise in respect of such contract or policy;

"LIBOR"

(a) on the date on which the Scheme Creditor's Ascertained Claim was established and on the first day of each calendar month falling during the relevant period, the rate published as the British Bankers' Association Interest Settlement Rate (as published in the Financial Times as "London BBA Interbank Fixing" or otherwise ascertained) for the relevant currency for periods of one month at or about 11 am on that date (or, if any such day is not a Business Day, the rate so published on the preceding Business Day); and

(b) on every other day, the rate which was in force on the previous day; and

(c) if LIBOR cannot be ascertained, that rate shall be replaced by a rate and a source of quotations which the Scheme Adviser shall specify to be, in its opinion, an appropriate substitute;

"Lloyd's" the society incorporated by the Lloyd's Act 1871 in the name of Lloyd's and situated at One Lime Street, London EC3M 7HA, United Kingdom;

"Lloyd's Syndicate" a group of underwriting members of Lloyd's, to which a number is assigned by the Council of Lloyd's and which either received an "Equitas Premium Indication" for a year or years of account in connection with the Reconstruction and Renewal Plan at Lloyd's or did not write any business prior to the 1993 year of account;

"Long Form Explanatory Statement" the statement dated 22 October 2010 explaining the effect of the Scheme;

"Meetings" the meetings of Scheme Creditors convened by the Scheme Company with the leave of the Court for the purpose of considering and, if thought fit approving, the Scheme;

"Non-Scheme Liabilities" any Liabilities of the Scheme Company not arising out of or in connection with the Scheme Business;

"Notified Outstanding Claim" a Claim for the amount payable by the Scheme Company in respect of a loss that has been reported to the Scheme Creditor as adjusted pursuant to clause 11.4;

"Post" delivered by hand (including by a generally recognised commercial courier service), pre-paid first or second class post, or airmail;

"PPO" a periodical payment order made pursuant to section 2 of the Damages Act 1996 (as amended by section 100 and 101 of the Court's Act 2003) as that Act is in force at the Effective Date;

"**Pre-Scheme Agreed Claim"** any claim in respect of a Liability (not being an Excluded Liability) arising under or in relation to any Insurance Contract constituting part of the Scheme Business to which the Scheme Company is subject at the Effective Date in respect of which liability and quantum have been agreed by the Scheme Company prior to the Effective Date by the Scheme Company stamping the relevant claim file and the broker's claims settlement form or by electronic agreement through CLASS but which has not been paid by the Scheme Company;

"Present Value" the value on the Effective Date of a future payment, or series of future payments, discounted at the Risk Free Rate to reflect the time value of money;

"Proceedings" any form of proceedings in any jurisdiction or forum including, without limitation, any legal proceedings, demand, arbitration, alternative dispute resolution procedure, judicial review, adjudication, mediation, execution, seizure, distraint, forfeiture, re-entry, enforcement of judgment or enforcement of any Security or any step taken for the purpose of creating or enforcing a lien;

"Property" all forms of property (including money, goods, things in action, land and every description of property wherever situated) and of obligations and every description of interest, whether present, future, vested or contingent arising out of or incidental to property and including, for the avoidance of doubt, all contributions to the assets of the Scheme Company not falling within the meaning of the Scheme Company's property under the Insolvency Act;

"Registrar of Companies" the registrar or other officer performing under the Act the duty of registration of companies in England and Wales;

"Reinstatement Premium" premium charged for the reinstatement of reinsurance coverage reduced as the result of a loss payment;

"Risk Free Rate"

(a) in respect of Agreed Claims denominated in US Dollars, the yield as at the Effective Date on US Treasury bonds of an appropriate term to the overall nature of the relevant Liability;

(b) in respect of Agreed Claims denominated in Sterling, the yield as at the Effective Date on UK Government bonds of an appropriate term to the overall nature of the relevant Liability;

(c) in respect of Agreed Claims denominated in Euros the yield as at the Effective Date on German Government bonds of an appropriate term to the overall nature of the relevant Liability; and

(d) in respect of Agreed Claims denominated in Australian Dollars the yield as at the Effective Date on Australian Government bonds of an appropriate term to the overall nature of the relevant Liability;

"Risk Transfer Premium" a premium on the Present Value of Scheme Creditors' Agreed Claims calculated in accordance the principles set out at Appendix 3 to the Scheme;

"Scheme" the scheme of arrangement set out in this document together with any modification, addition or condition approved or imposed by the Court;

"Scheme Adviser" the firm named in clause 27;

"Scheme Business" all Insurance Contracts underwritten or assumed whether by way of portfolio transfer or otherwise by the Scheme Company;

"Scheme Company" GLOBAL General and Reinsurance Company Limited a company incorporated in England with company number: 00360600;

"Scheme Creditor" in relation to the Scheme Company, a creditor in respect of a Claim;

"Scheme Document" the document dated 22 October 2010 containing the Scheme and the Long Form Explanatory Statement and the appendices thereto;

"Scheme Manager" the person named as such in clause 30.2, or any person subsequently appointed as Scheme Manager pursuant to clause 30.4;

"Scheme Period" the period beginning on the Effective Date and ending on the Termination Date;

"Security"

(a) any deposit or reserve of funds or assets established by the Scheme Company;

(b) any guarantee provided by a third party;

(c) (any funds held or otherwise retained by a Scheme Creditor, in each case to secure payment of any Scheme Liability arising out of an Insurance Contract;

"Sterling" or "£" Pounds Sterling, being the lawful currency of the United Kingdom for the time being;

"Supporting Evidence Guidelines" the document at Appendix 2 to the Scheme setting out the supporting evidence to be provided by Scheme Creditors in submitting Claims valued in accordance with the Estimation Guidelines;

"Tax" any form of taxation, levy, duty, charge, contribution, withholding, or impost of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by or payable to a Tax Authority;

"Tax Authority" any government, state, municipality, or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world (including in the United Kingdom, without limitation, HM Revenue and Customs);

"Termination Date" the day upon which the Scheme terminates in accordance with Part 11 of the Scheme;

"Unclaimed Balance" amounts represented by any cheque issued in settlement of an Ascertained Claim not presented for payment by its payee or any telegraphic transfer payment made in settlement of an Ascertained Claim and returned to the Scheme Company;

"US Dollars" or "US$" United States Dollars, being the lawful currency of the United States of America for the time being;

"Valuation Statement" the statement sent to Scheme Creditors pursuant to clause 15.3;

2. Interpretation

2.1 In the Scheme, unless the context otherwise requires or the Scheme expressly provides otherwise:

2.1.1 references to parts, clauses, sub-clauses and appendices are references to the parts, clauses, sub-clauses and appendices respectively of the Scheme;

2.1.2 references to a "person" include an individual, firm, partnership, limited liability partnership, company, corporation, unincorporated body of persons or any state or state agency;

2.1.3 references to a statute or a statutory provision or to a statutory instrument or provision of a statutory instrument include the same as subsequently modified, amended or re-enacted from time to time;

2.1.4 the singular includes the plural and vice versa and words importing one gender shall include all genders; and

2.1.5 headings to parts, clauses, sub-clauses and appendices are for ease of reference only and shall not affect the interpretation of the Scheme.

PART 2: INTRODUCTORY PROVISIONS

3. Application of the Scheme and Continuing Payment of Claims

3.1 The Scheme shall apply to all Claims. Any Liabilities of the Scheme Company that do not arise out of the Scheme Business or that are Excluded Liabilities are not within the scope of this Scheme.

3.2 Throughout the Scheme Period the Scheme Company shall continue to pay Pre-Scheme Agreed Claims as they fall due, and such claims shall not be affected by the provisions of clause 12.

4. Scheme Manager

The Scheme Company has appointed GLOBAL General and Reinsurance Services Limited to be Scheme Manager and perform its functions under the Scheme, including the review and determination of claims. The Scheme Company has authorised the Scheme Manager to execute or do or to procure to be executed or done all documents, acts or things as may be necessary or as the Court may order necessary to be executed or done by the Scheme Company or on its behalf to implement and give effect to the Scheme.

5. Proceedings by Scheme Creditors

5.1 Save with the consent of the Scheme Company, no Scheme Creditor shall be permitted to institute or continue any Proceedings whatsoever against the Scheme Company to establish the existence or quantum of a Claim.

5.2 Save to the extent that the Scheme Company has failed to perform any obligation to make a payment to a Scheme Creditor under the provisions of the Scheme, no Scheme Creditor shall be entitled to take or continue any Proceedings against the Scheme Company or its Property in any jurisdiction whatsoever to enforce payment in whole or in part of any Claim.

5.3 Nothing in the Scheme shall preclude the Scheme Company from commencing or continuing any Proceedings against a Scheme Creditor. For the avoidance of doubt, the relevant Scheme Creditor shall be entitled to assert and prosecute a Claim against the Scheme Company in such Proceedings provided that:

5.3.1 the relevant Claim arises out of the same transaction or occurrence that is the subject matter of the Scheme Company's claim in the relevant Proceedings; and

5.3.2 the relevant Claim does not require for its adjudication the presence of any third party over whom the court or tribunal in question cannot acquire jurisdiction.

5.4 For the purposes of clause 5.3, the Scheme Company shall be deemed not to be continuing Proceedings which commenced before the Effective Date and in which the Scheme Company is not actively prosecuting its claims against such Scheme Creditor.

6. Effect of Acts Prohibited by Clauses 5.1 and 5.2

6.1 If and to the extent that a Scheme Creditor obtains an order, judgment, decision or award of a court or tribunal against the Scheme Company in relation to a Claim in contravention of clause 5.1, such order, judgment, decision or award shall not give rise to or form part of an Agreed Claim and shall be disregarded when determining the Liability of the Scheme Company in respect of the relevant Claim.

6.2 If any Scheme Creditor takes any action after the Effective Date which is prohibited by clause 5.2 it shall, without prejudice to any other rights of the Scheme Company, be treated as having received an advance distribution on account of its Claim equal to the amount or gross value of any money, Property, benefit or advantage obtained by it at the expense of the Scheme Company as the result of such action. The extent to which the Scheme Creditor is entitled to participate in any distribution under the Scheme shall be determined accordingly.

6.3 For the purpose of clause 6.2, the gross value of any money, Property, benefit or advantage obtained by a Scheme Creditor shall be conclusively determined by the Scheme Company. Without limitation, such determination may include such amount as the Scheme Company may consider to be appropriate by way of interest, costs, charges or expenses incurred by the Scheme Company as a consequence of the relevant Scheme Creditor acting in a manner prohibited by clause 5.2.

6.4 If the amount of advance distribution which a Scheme Creditor is treated as having received pursuant to clause 6.2 exceeds the total amount the relevant Scheme Creditor would otherwise be entitled to receive from the Scheme Company pursuant to the Scheme then, without prejudice to any other rights of the Scheme Company, the Scheme Creditor shall immediately repay the excess to the Scheme Company. Failing such repayment, interest shall accrue on such excess for the period from the date upon which the Scheme Creditor's Ascertained Claim is established under the Scheme to the date of repayment of such excess, at the annual rate for which LIBOR is in force at such time. Interest shall accrue from day to day for the duration of such period (from and including the first day thereof), shall be calculated on the basis of the actual number of days elapsed and a 360 day year and shall be payable on the last day of such period. Such excess shall be held on trust for the Scheme Company by the relevant Scheme Creditor until paid.

7. Interest

7.1 For the purpose of paying or providing for distributions under the Scheme, where a Claim includes an element of Admissible Interest such Admissible Interest shall be payable for the period from the date provided for in the relevant Insurance Contract, judgment or statute to the day immediately preceding the date on which payment is made in respect of the relevant Claim.

7.2 No distribution shall be paid under the Scheme in respect of any part of a Claim which represents interest which is not Admissible Interest.

7.3 Any payment made under the Scheme in respect of any part of a Claim which represents Admissible Interest shall be made net of any deduction or withholding for or on account of Tax.

8. Currency of Payment

8.1 Any amount payable to a Scheme Creditor under the Scheme in respect of a Claim which is payable under an Insurance Contract in a currency other than US Dollars, Australian Dollars or Euros shall be paid in Sterling and shall be converted to that currency at the Exchange Rate. For the avoidance of doubt, where the Insurance Contract provides for payment in Sterling, US Dollars, Australian Dollars or Euros, Claims will be paid in those currencies.

8.2 Where an Agreed Claim and any sum to be applied to it by way of set-off or deducted pursuant to clause 15.1 are not both payable in the currency specified for payment by clause 8.1 (as applicable), the sum to be applied in set-off or deducted shall be converted into the currency of payment at the Exchange Rate.

PART 3: DETERMINATION OF CLAIMS

9. Ascertainment Date

9.1 All Claims shall be valued as at the Ascertainment Date and adjusted as described in clause 11.4 to take account of developments occurring since that date.

9.2 In determining an Agreed Claim the Scheme Company will take account of the development of Scheme Creditors' Claims after the Ascertainment Date.

10. Notice of Effective Date and Distribution of Claim Forms

10.1 The Scheme Company shall, within 14 days of the Effective Date, send by Post to each known Scheme Creditor and Broker for whom it has contact details which it does not believe are incorrect):

10.1.1 notice that the Scheme has become effective and confirmation of the Final Claims Submission Deadline; and

10.1.2 a Claim Form.

In the case of a Scheme Creditor of whose existence the Scheme Company becomes aware between the Effective Date and the Final Claims Submission Deadline, the Scheme Company shall make a Claim Form available to that Scheme Creditor as soon as may be practicable.

10.2 In addition, the Scheme Company shall within 14 days of the Effective Date or as soon as may be practicable thereafter cause to be posted on the website www.globalre.uk.com/mainstreamscheme and published in the same newspapers and publications in which the Meetings were advertised or, if this should not prove practicable, in such other publications as it shall deem appropriate, notice that the Scheme has become effective giving the Effective Date and the Final Claims Submission Deadline and calling for all Scheme Creditors to complete and return Claim Forms by the Final Claims Submission Deadline.

11. Completing Claim Forms

11.1 Each Scheme Creditor shall complete and return the Claim Form provided to it pursuant to clause 10.1 in accordance with the instructions accompanying it and the provisions of this clause 11.

11.2 Each Scheme Creditor shall submit with its Claim Form information relating to that Scheme Creditor's Claims by reference to each Insurance Contract pursuant to which the relevant Claims arise, together with such details as the Scheme Creditor may have of the Broker or Brokers who placed the relevant business and an estimate of the value of each Claim.

11.3 When completing the Claim Form, each Scheme Creditor shall divide its Claims into Notified Outstanding Claims and IBNR Claims.

11.4 Scheme Creditors shall value Claims as an undiscounted Best Estimate and in accordance with the principles set out in the Estimation Guidelines. In completing the Claim Form, Scheme Creditors shall value Notified Outstanding Claims and IBNR Claims as at the Ascertainment Date and then adjust them to take account of :

11.4.1 Claims that have been paid by the Scheme Company after the Ascertainment Date;

11.4.2 Any losses that have been notified to the Scheme Creditor after the Ascertainment Date;

11.4.3 Any new information received by the Scheme Creditor after the Ascertainment Date.

The value arrived at in respect of each Notified Outstanding Claim and each IBNR Claim after applying the above adjustments is the value that must be entered in the Claim Form.

11.5 For the avoidance of doubt, the undiscounted Best Estimate of a Claim arising out of a personal injury claim that the creditor expects to be settled as a PPO or on a lump sum equivalent basis should be considered as the expected net present value of all future payments, capitalised as at the expected date when the terms of the PPO or equivalent lump sum will be determined or as at the Effective Date if the terms of the PPO or equivalent lump sum have already been determined, having regard to the assumptions referred to in Section 4.2 of the Estimation Guidelines.

11.6 Scheme Creditors shall provide with their Claim Forms evidence to support the reasonableness of their Claims in accordance with the instructions contained in the Supporting Evidence Guidelines and shall insert on their Claim Form(s) the specific amount that they seek to claim for each Notified Outstanding Claim and/or each IBNR Claim.

11.7 Claim Forms and all supporting information must be returned so as to reach the Scheme Company at the address specified for the purpose in the instructions accompanying the Claim Form at any time before the Final Claims Submission Deadline.

11.8 Each Scheme Creditor shall be entitled to complete and submit a new or revised Claim Form in accordance with this clause 11 and the instructions accompanying the Claim Form and to provide revised or further information in respect of its Claims, together with any relevant supporting documentation (as contemplated by clause 11.6), to the Scheme Company so as to reach the Scheme Company at any time before the Final Claims Submission Deadline or the date on which the Scheme Creditor's Agreed Claim has been established (whichever is the earlier). No revisions to the quantum of any Claim will be accepted after the Final Claims Submission Deadline or the date on which the relevant Scheme Creditor's Agreed Claim is established (whichever is the earlier). No revised or further information will be accepted after that date unless sent in response to a request by the Scheme Company pursuant to clause 13.4 or the Independent Expert pursuant to clause 14.2.1.

12. Failure to Return Claim Forms

Subject to clause 3.2, no Scheme Creditor shall be entitled to receive any payment from the Scheme Company under the Scheme in respect of a Claim unless that Claim has been notified to the Scheme Company by the Scheme Creditor including details of it in a Claim Form completed in accordance with clause 11.1 to 11.4 or clause 11.8 and submitted with the supporting evidence required by clause 11.6. Such Claim Form must be received by the Scheme Company no later than the Final Claims Submission Deadline. Any Claim not so notified shall be deemed to have been satisfied in full and the Scheme Creditor shall have no further rights against the Scheme Company in respect of that Claim.

13. Review of Claim Forms and Determination of Agreed Claims

13.1 The Scheme Company will consider the information concerning a Scheme Creditor's Claims contained in its Claim Form including, but not limited to, consideration of whether any Claims are adequately supported with relevant documentation, whether any estimates in relation to future or contingent Claims are reasonable having taken account of the principles set out in the Estimation Guidelines, and whether there is any applicable Security or any Letter of Credit or any applicable set-off.

13.2 As part of the process of determining the Agreed Claim pursuant to clauses 13.1 and 13.3 to 13.10, the Scheme Company shall apply the principles set out in the Estimation Guidelines.

13.3 If the Scheme Company agrees with the Scheme Creditor's estimate of the value of any of its Claims as set out in the Claim Form it shall, within 100 days of the Final Claims Submission Deadline, notify the relevant Scheme Creditor in writing of such agreement such notice to be accompanied by a Determination Notice.

13.4 If the Scheme Company does not agree with some or all of the information provided on or with a Claim Form in respect of a Scheme Creditor's Claims, it shall, within 100 days of the Final Claims Submission Deadline, by notice in writing to the relevant Scheme Creditor, specify those matters which are not agreed, the reasons for failing to agree such matters and any additional information and/or documentation that the Scheme Company may require. The Scheme Creditor shall submit written comments on those matters that are not agreed by the Scheme Company and the reasons provided by the Scheme Company for not agreeing them and, if applicable, shall provide the additional information and/or documentation requested within 28 days of the date of such notice. The Scheme Company will then endeavour to agree the disputed matters and the relevant Claims within 156 days of the Final Claims Submission Deadline and in the event that the Claims are so agreed, the Scheme Company shall notify the Creditor in writing of its agreement, such notice to be accompanied by a Determination Notice.

13.5 If a Scheme Creditor fails to provide its written comments on any matters that were not agreed by the Scheme Company within the deadline imposed by clause 13.4, or to provide any additional information and/or documentation requested by the Scheme Company pursuant to clause 13.4 within the deadline imposed by the relevant clause, the Scheme Company shall be entitled to make such determination as to the value of the Scheme Creditor's Claims as it sees fit on the basis of the information available to it and shall send a Determination Notice by Post to the relevant Scheme Creditor.

13.6 At any time after the return of a Claim Form, the Scheme Company may, either:

13.6.1 refer a Claim to the Independent Expert as a Disputed Claim for determination by him in accordance with clause 14 in which case it shall send notice to that Scheme Creditor that such Claim has been referred to the Independent Expert; or

13.6.2 send a Determination Notice to the relevant Scheme Creditor.

13.7 The amount of a Scheme Creditor's Agreed Claim as shown in a Determination Notice sent to the Scheme Creditor pursuant to clause 13.3, 13.4, 13.5, or 13.6 shall be fixed as the amount of that Scheme Creditor's Agreed Claim unless the Scheme Creditor objects to such amount by notice in writing received by the Scheme Company within 21 days of the date of the Determination Notice.

13.8 In the event that either:

13.8.1 a Scheme Creditor objects to a Determination Notice sent to it pursuant to clause 13.3, 13.4, 13.5, or 13.6 by notice in writing received by the Scheme Company within 21 days of the date of that Determination Notice; or

13.8.2 a Scheme Creditor's Claims are not agreed within the deadline for agreeing Claims laid down by clause 13.4;

the Scheme Company shall within a further 14 days from the date on which the deadline for objections to the Determination Notice or the deadline for agreement of Claims expired refer the Scheme Creditor's Claims to the Independent Expert as a Disputed Claim and shall send written notice to the relevant Scheme Creditor to the effect that such Claims have been referred to the Independent Expert.

13.9 The amount, if any, determined by the Independent Expert as being due in respect of a Scheme Creditor's Claims following determination of any dispute referred to him pursuant to clause 13.8 shall be fixed as the amount of the relevant Scheme Creditor's Agreed Claim.

13.10 The amount of an Agreed Claim established or determined under clause 13.7, 13.9 or 14.9 shall be final and binding on the Scheme Company concerned, the relevant Scheme Creditor and all Scheme Creditors (to the extent permitted by law) and there shall be no right of appeal in respect thereof.

13.11 Following determination of an Agreed Claim, the Scheme Company shall calculate the amount of any Reinstatement Premium that would be payable by the Scheme Creditor under the terms of the relevant Insurance Contract.

14. Independent Expert Procedure

14.1 In referring a Claim to the Independent Expert in accordance with clauses 13.6, 13.8, or 20.1.2 the Scheme Company shall send written notice of the dispute to the Independent Expert by Post which notice shall enclose a copy of the Claim Form and shall include a list of any supporting schedules or evidence accompanying such Claim Form and of any notice, statement or correspondence sent or received by the Scheme Company in connection with the Claim in the course of attempting to determine the Scheme Creditor's Agreed Claim under the Scheme. A copy of the written notice to the Independent Expert shall be sent to the Scheme Creditor concerned with any notice sent to the Scheme Creditor in accordance with clause 13.6, 13.8, or 20.1.2 as applicable. The Independent Expert shall have access to all of the documents referred to in the notice sent to him pursuant to this clause 14.1 and to the Scheme Company's records and information in the possession of or under the control of the Scheme Company which the Independent Expert considers he needs to resolve the dispute concerning such Claim.

14.2 The Independent Expert shall within 21 days of the date of the notice referring the Disputed Claim to him, notify the Scheme Company and the Scheme Creditor concerned as to whether he requires:

14.2.1 further documents, data or information in which case the relevant person shall within 21 days of the date of such notice provide the Independent Expert with the required documents, data or information with a copy to the other party to the dispute; and/or

14.2.2 the Scheme Creditor and/or the Scheme Company to attend a meeting with him to discuss any matter he shall determine, in which case the relevant person(s) (or its or their duly authorised representative) shall meet with the Independent Expert on such date, which shall be within a further 21 days after receipt of such notice, and at such place, as the Independent Expert shall prescribe.

14.3 The Scheme Creditor and the Scheme Company shall each be entitled to request a meeting with the Independent Expert for the purpose of discussing the Disputed Claim and supporting evidence at any time prior to the Independent Expert's determination of the Disputed Claim.

14.4 The Independent Expert shall be entitled to consult with such advisers, including legal advisers and experts, as he may deem appropriate in considering any Disputed Claim referred to him.

14.5 If any Scheme Creditor fails or if the Scheme Company fails to provide further documents, data or information in accordance with clause 14.2.1 or fails to attend a meeting with the Independent Expert in accordance with clause 14.2.2, the Independent Expert shall be entitled to make such determination as he sees fit in relation to the relevant Disputed Claim on the basis of the information available to him.

14.6 If a conflict of interest arises in respect of any Disputed Claim referred to the Independent Expert such that the Independent Expert is not able to act in relation to the Disputed Claim, he will immediately notify the Scheme Creditor and the Scheme Company of such conflict. In such circumstances, unless the Scheme Creditor and the Scheme Company agree within 14 days of receiving notice of the conflict to permit the Independent Expert to act and the Independent Expert himself is willing to act notwithstanding such conflict, an alternate Independent Expert being a person qualified to act pursuant to clause 33.1 and not ineligible by reason of any of the matters referred to in clause 33.3 shall be appointed by the Scheme Company under clause 33.2 to value the relevant Disputed Claim. Any such waiver of a conflict pursuant to this clause 14.6 will only be made after the Independent Expert has provided sufficiently detailed disclosure of the details and nature of the conflict to the Scheme Creditor and the Scheme Company to enable each of them to make an informed decision on whether the conflict may be waived without prejudicing any party. Where a matter is referred to an alternate Independent Expert he shall determine that matter only.

14.7 Where an alternate Independent Expert is appointed pursuant to clause 14.6 the conflicted Independent Expert's appointment, shall, subject to clause 33.3, continue during the appointment of the alternate Independent Expert, and he shall continue to act in relation to all other Disputed Claims referred to him under clauses 13.6, 13.8, or 20.1.2 unless a conflict shall arise in respect of any of those Disputed Claims, in which case clause 14.6 shall apply again.

14.8 In reaching a determination in relation to any Disputed Claim, the Independent Expert shall act as an expert and not as an arbitrator and shall apply the Estimation Guidelines.

14.9 The Independent Expert shall notify the relevant Scheme Creditor, the Scheme Adviser and the Scheme Company of his determination in respect of the relevant Disputed Claim and of the resulting amount of the Scheme Creditor's Agreed Claim by notice in writing sent by Post within 28 days after the later of the date of the notice referring the Disputed Claim to him in accordance with clause 14.1, the provision of further documents, data or information to him pursuant to clause 14.2.1, the conclusion of any meeting with him pursuant to clause 14.2.2, or the failure of the relevant party to provide such documents, data or information in accordance with clause 14.2.1 or to attend a meeting with him in accordance with clause 14.2.2. Any such determination shall, to the extent permitted by law and subject to any mathematical or other manifest error, be final and binding on the Scheme Company, the relevant Scheme Creditor and all Scheme Creditors and neither a Scheme Creditor nor the Scheme Company shall have any right to appeal therefrom or to make any claim against the Independent Expert in respect of such determination save in respect of his wilful default, wilful breach of duty or trust, fraud or dishonesty.

14.10 For the avoidance of doubt, in determining a Scheme Creditor's Agreed Claim following determination of a Disputed Claim pursuant to clause 14.9, the Independent Expert shall not be entitled to revisit any Claims that have been agreed by the Scheme Creditor and the Scheme Company.

14.11 Any remuneration, costs, charges and expenses incurred by the Independent Expert in respect of a Disputed Claim including the fees and expenses of any adviser or expert consulted by him pursuant to clause 14.4, shall be paid by the Scheme Company. However, the Independent Expert may determine in his absolute discretion that the relevant Scheme Creditor should reimburse the Scheme Company in respect of some or all of those costs in which case such costs shall be paid by the Scheme Creditor in accordance with clause 14.12.

14.12 Any costs, charges and expenses incurred by the relevant Scheme Creditor shall be borne by the Scheme Creditor himself. The amount of the relevant Scheme Creditor's share of any remuneration, costs, charges and expenses as determined by the Independent Expert pursuant to clause 14.11 shall be deducted from the amount of the Scheme Creditor's Agreed Claim pursuant to clause 15.1. For the avoidance of doubt, any amount by which the total of such remuneration, costs, charges and expenses to be borne by the Scheme Creditor exceeds such Agreed Claim shall be paid by the Scheme Company and shall constitute a Liability of the Scheme Creditor to the Scheme Company.

15. Determination of Ascertained Claims

15.1 As soon as may be practicable, following the determination of a Scheme Creditor's Agreed Claim pursuant to clauses 13.7, 13.9 or 14.9 the Scheme Company shall calculate the Scheme Creditor’s Ascertained Claim or Liability due to the Scheme Company by making the following adjustments to the Scheme Creditor's Agreed Claim:

15.1.1 deducting the total amount of any Reinstatement Premium due from the Scheme Creditor calculated pursuant to clause 13.11; and then

15.1.2 applying any applicable set-off pursuant to clauses 18.1 to 18.3; and then

15.1.3 in accordance with the principles set out in Appendix 3, adding to the balance remaining after the adjustments referred to at 5.1.1 and 5.1.2 the 4% uplift provided for as part of the Risk Transfer Premium or applying discounting; and then

15.1.4 deducting any sum pursuant to clause 14.12; and then

15.1.5 deducting the amount of any applicable Security or Letter of Credit in respect of any remaining balance in favour of the Scheme Creditor.

15.2 In addition, the Scheme Company shall where applicable calculate the estimated value of the Risk Transfer Premium to the Scheme Creditor being the difference between:

15.2.1 the Scheme Creditor's Agreed Claim calculated in accordance with the principles set out in Appendix 3 plus 4%; and

15.2.2 the Present Value of the Scheme Creditor's Agreed Claim;

in each case following the adjustments required pursuant to clauses 15.1.1 and 15.1.2.

15.3 Following completion of the steps set out in clause 15.1 in relation to a Scheme Creditor the Scheme Company shall send by Post to that Scheme Creditor a Valuation Statement setting out:

15.3.1 the Agreed Claim of that Scheme Creditor;

15.3.2 the amount of any Reinstatement Premium deducted from the Agreed Claim in accordance with clause 15.1.1;

15.3.3 the amount of any Liability of the Scheme Creditor which has been applied in set-off pursuant to clauses 18.1 to 18.3;

15.3.4 the amount of the 4% uplift added or any discounting applied pursuant to clause 15.1.3;

15.3.5 the amount of any sum which has been deducted pursuant to clause 14.12;

15.3.6 the amount of any Security or Letter of Credit which has been deducted;

15.3.7 the resultant amount that the Scheme Company calculates to be the Scheme Creditor's Ascertained Claim, or Liability due to the Scheme Company from the Scheme Creditor.

15.4 The Valuation Statement shall be accompanied by a schedule setting out:

15.4.1 how the amount of any Reinstatement Premium deducted pursuant to clause 15.1.1 was calculated;

15.4.2 how the amount of any Liability applied in set-off pursuant to clauses 18.1 to 18.3 was calculated;

15.4.3 the calculation of the estimated value of the Risk Transfer Premium for that Scheme Creditor or how the amount of any discount applied was calculated, as applicable.

15.5 Each Scheme Creditor may, by notice in writing to be received by the Scheme Company within 28 days of the date of the Valuation Statement sent to that Scheme Creditor, object to the content of the Valuation Statement but may not for the avoidance of doubt object to:

15.5.1 the amount of an Agreed Claim determined in accordance with the provisions of the Scheme; or

15.5.2 the amount of any Liability of the Scheme Creditor applied in set-off which has been agreed by the Scheme Creditor;

15.5.3 the rate used in applying discounting, which shall be the Risk Free Rate.

15.6 In the event that the Scheme Creditor does not notify the Scheme Company of an objection in accordance with the provisions of clause 15.5, the amount shown in the Valuation Statement as the Scheme Creditor's Ascertained Claim or Liability to the Scheme Company shall be fixed as the amount of that Scheme Creditor's Ascertained Claim or Liability to the Scheme Company as applicable.

15.7 In the event that the Scheme Company agrees with the objections of a Scheme Creditor notified to it in accordance with clause 15.5, the Scheme Company shall send a further Valuation Statement by Post to the Scheme Creditor within 14 days of the date of such notice setting out the information referred to in clauses 15.3.1 to 15.3.7 as amended in light of such objections and, where relevant, a revised schedule setting out the information referred to in clauses 15.4.1 to 15.4.3

15.8 In the event that the Scheme Company does not agree with the objections of a Scheme Creditor notified to it in accordance with clause 15.5, the disputed matters shall be referred to the Independent Expert by notice in writing sent by Post. The Independent Expert shall give his determination in respect of the disputed matters and of the resultant amount of the Scheme Creditor's Ascertained Claim or Liability to the Scheme Company within 14 days of the date of such notice. The Independent Expert's determination shall be final and binding on the Scheme Company, the Scheme Creditor and all Scheme Creditors to the extent permitted by law.

15.9 The provisions of clauses 15.5 to 15.8 shall apply to any further Valuation Statement dispatched by the Scheme Company pursuant to clause 15.7, except that the Scheme Creditor concerned shall not be entitled to object to any item in the further Valuation Statement:

15.9.1 which appeared in any previous Valuation Statement sent to it and to which it did not object in accordance with clause 15.5 following receipt of such previous Valuation Statement; or

15.9.2 in relation to which the Independent Expert has made a determination pursuant to clause 15.8.

15.10 Any sum fixed or determined as the amount of a Scheme Creditor's Ascertained Claim pursuant to clause 15.6 or clause 15.8 shall be binding on the relevant Scheme Creditor, the Scheme Company and all Scheme Creditors as the amount of that Scheme Creditor's Ascertained Claim.

16. Extension of Time Limits

16.1 The Scheme Company in consultation with the Scheme Adviser may, at their absolute discretion, extend any time period referred to in this Part 3 (with the exception of clause 14) or in Part 4, other than the Final Claims Submission Deadline, whether for any one or more or all Scheme Creditors and whether in respect of any one or more or all of a Scheme Creditor's Claims.

16.2 The Independent Expert may in his absolute discretion extend any of the time periods referred to in clause 14.

17. Creditors to Provide Assistance

17.1 During the Scheme Period, Scheme Creditors shall provide to the Scheme Company, the Scheme Adviser and the Independent Expert all reasonable assistance required by any of them in connection with the Scheme and shall provide such assistance as any of them may reasonably require in connection with the recovery of any Property, including for the avoidance of doubt any surplus Security or any surplus collateral held in respect of a Letter of Credit, or the enforcement of any obligations owed to the Scheme Company. Such assistance shall include, without limitation, executing a deed of release releasing the provider of a Letter of Credit from further liability under that Letter of Credit such release being conditional on the Claim of the Scheme Creditor to which the Letter of Credit relates having been satisfied or deemed to have been satisfied in full pursuant to the provisions of the Scheme.

17.2 Insofar as the law allows, the Scheme Company shall provide the Scheme Adviser and the Independent Expert with all reasonable assistance required by either of them in connection with the Scheme.

18. Set-Off and Security

18.1 In respect of each Scheme Creditor, an account shall be taken under the Scheme of:

18.1.1 the Scheme Creditor's Agreed Claim less Reinstatement Premium calculated to be due from the Scheme Creditor; and

18.1.2 the amount of any Liabilities of the Scheme Creditor to the Scheme Company arising in its capacity as reinsurer of the Scheme Company, whether such reinsurance relates to Scheme Business or otherwise;

and the sums due from the Scheme Company shall be set off against the sums due from the Scheme Creditor.

18.2 Liabilities of a Scheme Creditor to the Scheme Company shall only be included in the account taken pursuant to clause 18.1 if they have been agreed between the parties. For the avoidance of doubt and without limitation contingent and prospective Claims against the Scheme Company, in respect of which the Agreed Claim has been determined pursuant to the terms of the Scheme shall be included in any account taken pursuant to clause 18.1.

18.3 For the avoidance of doubt set-off will not be applied under the Scheme where its application would conflict with or constitute an extension of the Scheme Company's rights under a set-off regime established by any applicable statutory provision or rule of law which is binding on the Scheme Company and the relevant Scheme Creditor and by which they cannot as a matter of law agree not to be bound.

18.4 Nothing in the Scheme shall prevent a Scheme Creditor from obtaining payment by means of its Security at any time, provided that this is done strictly in accordance with the terms of the contract pursuant to which such Security was established and the terms (if any) of the Security.

18.5 Any Scheme Creditor who shall obtain or receive payment by enforcing, drawing down, withdrawing or calling on any Security or Letter of Credit in an amount which exceeds either the amount determined pursuant to the Scheme to be due to it under the contract or each of the contracts for which that Security or Letter of Credit was issued or established or if lower the amount which it is contractually entitled to receive from that Security or Letter of Credit at the time when it receives or obtains payment, shall hold the amount of such excess on trust for the Scheme Company to apply the same in accordance with the terms of the Scheme, and shall forthwith pay the same to the Scheme Company without set-off, deduction, retention, abatement or counterclaim. The proceeds of any enforcement, drawdown or withdrawal under or call on a Security or Letter of Credit established in respect of an Insurance Contract, shall only be applied to a Claim arising under that contract, or to any other Claim to which the Scheme Creditor is contractually entitled to apply it. Any surplus remaining after discharge of such Claims in the amount determined to be due in respect of them under the Scheme shall not be applied in satisfaction or reduction of any other Liability, but shall be held on trust for the purposes of the Scheme and shall be paid to the Scheme Company without set-off, deduction, retention, abatement or counterclaim.

18.6 Nothing in the Scheme shall affect the rights of the Scheme Company under any applicable law against any person in respect of any wrongful drawdown or enforcement of any Security.

19. Treatment of Agents, Underwriting Agents and Lloyd's Syndicates

19.1 In any of its dealings with the Scheme Company, the Independent Expert or the Scheme Adviser under the Scheme, the Scheme Creditor may appoint an Agent to act on its behalf and the Scheme Company may, at its absolute discretion, require the Agent or the Scheme Creditor to provide evidence of the Agent's authority and its scope, before dealing with the Agent under the Scheme.

19.2 Scheme Creditors authorise the Scheme Company at its discretion to treat any underwriting agent (including, but not limited to a manager of an underwriting pool, managing general agent, a holder of a line-slip or binding authority) as a single Scheme Creditor of the Scheme Company in respect of the Claims of its principal(s) and as a single debtor of the Scheme Company in respect of the Liabilities owed to the Scheme Company by its principal(s).

19.3 The Scheme Company shall be obliged to treat the members of a Lloyd's Syndicate which has:

19.3.1 a Claim arising out of obligations incurred by the Syndicate during its 1992 and prior years of account as a single Scheme Creditor of the Scheme Company in respect of that Claim and the members of a Lloyd's Syndicate which owes Liabilities to the Scheme Company as a result of an obligation to the Scheme Company undertaken during its 1992 and prior years of account as a single debtor of the Scheme Company in respect of those Liabilities; and

19.3.2 a Claim arising out of obligations incurred by that Syndicate during its 1993 and subsequent underwriting years as a single Scheme Creditor of the Scheme Company in respect of that Claim and the members of a Lloyd's Syndicate which owes Liabilities to the Scheme Company in respect of obligations to the Scheme Company incurred during its 1993 and subsequent underwriting years as a single debtor of the Scheme Company in respect of those Liabilities;

in each case on the basis that the effect of closing a year of account by means of reinsurance to close into a later year is that the rights and liabilities of the members of the syndicate in such closing year become instead the rights and liabilities of the members of the successor syndicate or syndicates in such later year.

20. Funding

20.1 Brokers who have funded Claims shall not constitute Scheme Creditors for the purposes of advancing such Claims in the Scheme unless:

20.1.1 they have acquired an assignment of the funded Claim or written confirmation from the beneficiaries of such funding that the Brokers are entitled to submit a claim in the Scheme in the place of such beneficiaries in respect of the funded Claim, such assignment or confirmation being in a form acceptable to the Scheme Company; or

20.1.2 such funding took place pursuant to a contractual obligation of the Broker to the Scheme Company or in circumstances where, as a matter of law, the Scheme Company is liable to indemnify or reimburse such Broker. For the purpose of determining whether funding falls within this sub-clause 20.1.2 in the absence of agreement between the Scheme Company and the relevant Broker, the matter shall be referred to the Independent Expert as a Disputed Claim for determination in accordance with clause 14 (in which case all references in that clause to the Scheme Creditor shall be read as references to the relevant Broker). The amount determined as being due in respect of that Disputed Claim shall, insofar as the law allows, be the amount of the Agreed Claim in respect of that Disputed Claim.

20.2 For the avoidance of doubt, any Broker claiming in respect of a funded Claim shall complete and return a Claim Form in respect of such Claim in accordance with the provisions of clause 11. The supporting information to be provided pursuant to clause 11.6 shall, unless the Broker is claiming pursuant to clause 20.1.2, include a copy of the assignment or written confirmation required pursuant to clause 20.1.1.

PART 4: PAYMENT OF ASCERTAINED CLAIMS

21. Available Distributable Amount

As soon as may be practicable following the determination of all Ascertained Claims in accordance with the provisions of the Scheme, the Scheme Company shall review its Property and Liabilities and determine its Available Distributable Amount, being the amount which in the opinion of the Scheme Company is prudently available at that time for payment to its Scheme Creditors in respect of their Ascertained Claims, taking account of its Non-Scheme Liabilities.

22. Payment of Ascertained Claims

Subject to clause 38, as soon as may be practicable and in any event within 28 days of the determination of the Available Distributable Amount in accordance with clause 21, if the Scheme Company determines that its Available Distributable Amount is sufficient to meet all its Ascertained Claims in full, whilst leaving sufficient provision for Non-Scheme Liabilities, it shall make payment in full to Scheme Creditors in respect of their Ascertained Claims in accordance with clause 25.

23. Effect of Payment of Ascertained Claims

The amount of a Scheme Creditor's entitlement to payment under the Scheme as determined pursuant to clause 12 or 15 shall constitute the Scheme Company's entire liability to the Scheme Creditor concerned in respect of its Claims and payment in full of such entitlement in accordance with clause 25 shall be in full and final settlement of all and any Claim(s) of that Scheme Creditor against the Scheme Company.

24. Early Payment

The Scheme Company may, in its absolute discretion, make payment at any time before the time specified in clause 22 to any Scheme Creditor provided that the Scheme Company is satisfied, in its absolute discretion, that it will be able without prejudicing the position of its creditors (including for the avoidance of doubt creditors in respect of Non-Scheme Liabilities) to pay all Ascertained Claims in full, once determined. Any payment made under this clause 24 shall be in full and final settlement of the Claims to which such payment relates. Where such payment relates to the Agreed Claim of the Scheme Creditor concerned it shall be in full and final settlement of all and any Claim(s) of that Scheme Creditor.

25. Method of Payment

25.1 Provided a Scheme Creditor provides the Scheme Company with the requisite details of the bank account into which payment should be made, payments to that Scheme Creditor under the Scheme shall be made by telegraphic transfer.

25.2 Where a Scheme Creditor has not provided the requisite details of a bank account into which payments under the Scheme should be made, payments to that Scheme Creditor shall be made by way of cheque in favour of the Scheme Creditor concerned or to such other person as the Scheme Creditor may direct in writing. Cheques shall be sent by Post at the risk of the relevant Scheme Creditor to the last known address of such Scheme Creditor or to such other address as the Scheme Creditor may notify the Scheme Company in writing.

25.3 Payment under the Scheme in respect of an Ascertained Claim and any early payment pursuant to clause 24 shall be deemed to have been made on the day that the telegraphic transfer instructions were given to the relevant bank pursuant to clause 25.1 or the relevant cheque is sent by Post pursuant to clause 25.2 (as the case may be) and such deemed payment shall be a good discharge and satisfaction of the Ascertained Claim or (if the Scheme Creditor's Ascertained Claim has yet to be established) the Claim(s) in respect of which it was paid.

26. Unclaimed Balance

26.1 The Scheme Company shall, from the Termination Date, retain any Unclaimed Balance and shall use its reasonable endeavours to make payments out of the Unclaimed Balance to the Scheme Creditors entitled thereto according to their respective entitlements. At the expiry of six months from the Termination Date the remaining amount of any Unclaimed Balance shall be paid over to the Scheme Company which shall be entitled to it absolutely provided that the Scheme Adviser is satisfied that the Scheme Company has complied with its obligations under this clause 26.1.

26.2 No Scheme Creditor shall be entitled to any payment from an Unclaimed Balance after the expiry of six months from the date on which a cheque was issued to or a telegraphic transfer made to the account of that Scheme Creditor pursuant to clause 25.

PART 5: THE SCHEME ADVISER

27. Appointment

The Scheme Adviser shall be PricewaterhouseCoopers LLP.

28. Functions of the Scheme Adviser

28.1 The Scheme Adviser shall independently provide such advice to the Scheme Company as may reasonably be required to facilitate the implementation of the Scheme when requested to do so and agreed in writing.

28.2 For the avoidance of doubt, the Scheme Adviser will provide only those advisory services specifically agreed by them and will not perform any other services including exercising managerial powers rights or functions.

29. Responsibility

No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done by the Scheme Adviser in connection with the Scheme and the Scheme Adviser shall not be liable for any loss suffered by any Scheme Creditor or third party unless such loss is attributable to their fraud or dishonesty. Accordingly, no Scheme Creditor shall bring or institute any proceedings, claims or complaints against the Scheme Adviser other than those arising from the Scheme Adviser's fraud or dishonesty.

PART 6: THE SCHEME MANAGER

30. Appointment, Resignation and Removal

30.1 There shall be one Scheme Manager having the power to manage and conduct the business and affairs of the Scheme Company in connection with the Scheme.

30.2 The first Scheme Manager shall be GLOBAL General and Reinsurance Services Limited, a company incorporated in England with registered number 05059316 whose registered office is situated at 4 Eastcheap, EC3M 1AE, United Kingdom.

30.3 The office of Scheme Manager shall be vacated if the Scheme Manager:

30.3.1 becomes Insolvent or subject to any Insolvency Proceedings;

30.3.2 is removed for good cause by the Scheme Company acting through its Board; or

30.3.3 resigns by giving 90 days' notice in writing to the Scheme Company or such shorter period of notice as may be agreed by the Scheme Company.

30.4 If the office of Scheme Manager is vacated or terminated in accordance with 30.3, the Scheme Company, in consultation with the Scheme Adviser, shall be entitled to appoint a replacement Scheme Manager provided that such a replacement consents to act and is not ineligible by virtue of the provisions of clause 30.3.

30.5 In the event that there is a change of Scheme Manager pursuant to clause 30.4, the Scheme Company shall ensure as soon as reasonably practicable that a notice alerting Scheme Creditors to such a change is:

30.5.1 if the change occurs prior to the Final Claims Submission Deadline, posted on the website www.globalre.uk.com/mainstreamscheme and sent by post to each known Scheme Creditor and Broker for whom the Scheme Company has contact details which it does not believe are incorrect; or

30.5.2 if the change occurs after the Final Claims Submission Deadline, posted on the website www.globalre.uk.com/mainstreamscheme and sent by post to every Scheme Creditor who submitted a Claim Form prior to the Final Claims Submission Deadline.

31. Powers, Rights, Duties and Functions

31.1 In performing and exercising its powers, rights, duties and functions under the Scheme, the Scheme Manager shall be entitled:

31.1.1 to have full access to all such information as the Scheme Manager may from time to time require in connection with the affairs of the Scheme Company relating to the Scheme Business or the operation of the Scheme and to all relevant books, papers, documents and other information contained or represented in any format whatsoever in the possession or under the control of the Scheme Company and relating to the Scheme Business (and to disclose such information to any third party as the Scheme Manager sees fit);

31.1.2 to cause the Scheme Company to apply to the Court (where it has jurisdiction to determine such matter) for directions in relation to any particular matter arising under, or in the course of the operation of, the Scheme;

31.1.3 on behalf of the Scheme Company, and in accordance with any guidelines provided by the Scheme Company, to negotiate, compromise, or agree Claims and/or claims of the Scheme Company in that capacity against Scheme Creditors and, in particular, without limitation to agree on behalf of the Scheme Company with reinsurers, retrocessionaires and Scheme Creditors the payment of commuted sums in full and final satisfaction thereof;

31.1.4 at the Scheme Manager's discretion, to treat those acting on behalf of principals reinsured by the Scheme Company, including but not limited to managing general agents, the managers of underwriting pools, the holders of line slips or binding authorities (including Lloyd's Syndicates) as if they were a principal creditor or debtor in place of the relevant principal;

31.1.5 to delegate to any person practising from the same firm as such Scheme Manager and approved by the Scheme Company all or any of the powers, rights, duties and functions conferred upon them;

31.1.6 to do all acts and to execute in the name and on behalf of the Scheme Company any deed, receipt or other document which may be necessary for or incidental to the full and proper implementation of the Scheme;

31.1.7 to exercise any other powers necessary for or incidental to the full and proper implementation of the Scheme;

31.1.8 to do all other things incidental to the foregoing powers.

32. Responsibility

32.1 In exercising its powers and rights and in carrying out his duties and functions under the Scheme, the Scheme Manager shall act in good faith and with due care and diligence and shall exercise its powers and rights under the Scheme to ensure that the Scheme is operated in accordance with its terms.

32.2 No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care and diligence by the Scheme Manager pursuant to the provisions of the Scheme or in the performance or exercise or non-exercise in good faith of any power, right, duty or function conferred upon it under the Scheme.

PART 7: THE INDEPENDENT EXPERT

33. Qualification, Resignation and Removal

33.1 Subject to clause 33.2, there shall be one Independent Expert who shall be an individual who is duly qualified in the reasonable opinion of the Scheme Company to discharge the function of Independent Expert under the Scheme. The first Independent Expert shall be George Maher of Towers Watson UK Limited.

33.2 The Scheme Company may, in consultation with the Scheme Adviser, appoint any person qualified to act as an Independent Expert pursuant to clause 33.1 and who is not ineligible by reason of any of the matters referred to in clause 33.3 as an additional, or in the circumstances provided for in clause 14.6 as an alternate, Independent Expert. References herein to the Independent Expert shall be construed as including any such additional Independent Expert or any alternate Independent Expert appointed to carry out the functions of an Independent Expert in relation to any particular matter pursuant to clause 14.6.

33.3 The office of Independent Expert shall be vacated if the appointee to that office shall:

33.3.1 die, or become bankrupt;

33.3.2 be admitted to hospital because of mental disorder or be the subject of an order in matters concerning his mental disorder made by a court having jurisdiction in England or elsewhere in such matters;

33.3.3 become unable to perform his duties by reason of illness or any other reason;

33.3.4 be convicted of an indictable offence;

33.3.5 resign his office by giving 90 days' notice in writing to the Scheme Company or such shorter period of notice as may be agreed by the Scheme Company; or

33.3.6 be removed for good cause by the Scheme Company;

and the Scheme Company may appoint a replacement who is qualified to act as Independent Expert pursuant to clause 33.1 and not ineligible by reason of any of the matters referred to in this clause 33.3.

34. Powers, Rights, Duties and Functions

34.1 The Independent Expert shall be responsible for the valuation of Disputed Claims and the determination of the Agreed Claim in respect of such Disputed Claims, shall determine any disputes referred to him pursuant to clause 15.8 and shall undertake all other duties and functions conferred upon him by the Scheme. The Independent Expert shall have the powers and rights conferred upon him by the Scheme for such purposes.

34.2 The Independent Expert shall be paid such remuneration for the exercise and performance of his powers, rights, duties and functions under the Scheme as may be agreed between the Independent Expert and the Scheme Company, such remuneration to be paid in accordance with clause 14.11.

35. Responsibility and Indemnity

35.1 In exercising his powers and rights and in carrying out his duties and functions under the Scheme, the Independent Expert shall act in good faith and with due care and diligence and shall exercise his powers and rights under the Scheme to ensure that the Scheme is operated in accordance with its terms.

35.2 Neither Scheme Creditors nor the Scheme Company shall be entitled to challenge the validity of any act done or omitted to be done by the Independent Expert in good faith and with due care and diligence pursuant to the provisions of the Scheme or in the performance or exercise or non-exercise of any power, right, duty or function conferred upon him under the Scheme. The Independent Expert shall not be liable for any loss unless any such loss is attributable to his wilful default, wilful breach of duty or trust, fraud or dishonesty.

35.3 Insofar as the law allows the Independent Expert (in his capacity as such) shall be entitled to an indemnity out of the Property of the Scheme Company against:

35.3.1 any liability incurred in defending any Proceedings brought against him in respect of any alleged negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in the course of implementing the Scheme in relation to the Scheme Company in accordance with its terms in which judgment is given in his favour or in which he is acquitted or which are discontinued before judgment is given or in connection with any application in any such Proceedings in which relief is granted to him by a court from liability for such alleged negligence, default, breach of duty or trust, fraud or dishonesty; and

35.3.2 all expenses and liabilities properly incurred by him in relation to the Disputed Claims of the Scheme Company in the course of exercising or performing any power, right, duty or function conferred on him under the Scheme or in implementing the Scheme in accordance with its terms.

35.4 Without prejudice to the generality of clause 35.3, the Scheme Company may pay costs incurred by the Independent Expert in defending Proceedings of the nature described in clause 35.3.1, provided that the Independent Expert concerned undertakes to reimburse the Scheme Company (with interest) for any amount which would not, in the event, have been payable by the Scheme Company under clause 35.3.1.

PART 8: THE BOARD AND SENIOR MANAGEMENT

36. Powers of the Board

The powers of the Board of the Scheme Company shall remain as before the Effective Date.

37. Responsibility of the Board

No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care and diligence by any director or officer of the Scheme Company in accordance with, or to implement the provisions of, the Scheme or in the performance or exercise or non-exercise of any power, right, duty or function conferred upon him under the Scheme and/or by law and no such person shall be liable for any loss unless such loss is attributable to wilful default, wilful breach of duty or trust, fraud or dishonesty.

PART 9: REVERSION TO RUN-OFF

38. Reversion to Run-Off

38.1 The provisions of this clause 38 apply at any time before any payment (other than an early payment pursuant to clause 24) is made to a Scheme Creditor under Part 4 of the Scheme.

38.2 Subject to clause 38.3, if the Scheme Company believes, after consultation with the Scheme Adviser, that it is no longer in the interests of the Scheme Company and its Scheme Creditors for the Scheme to continue in force, it may send written notice to all of its Scheme Creditors for whom it has contact details that the Scheme has terminated and subject to clause 39.1 all Claims shall thereafter be run off in the ordinary course of business.

38.3 The Scheme Company may only terminate the Scheme pursuant to clause 38.2 where the Board has issued written confirmation that the Scheme Company has been notified of Claims materially and prejudicially in excess of reserves.

38.4 Subject to clause 38.5, if the Scheme Company believes, after consultation with the Independent Expert, that it is no longer reasonably practicable to value a Claim or a number of Claims, provided that the particular Claim(s) has/have not already been referred to the Independent Expert, the Scheme Company may notify the relevant Scheme Creditor(s) in writing that, in its opinion the provisions of the Scheme should no longer apply to such Claim(s). If the Scheme Creditor provides its written consent such Claim(s) shall thereafter be run off in the ordinary course of business and the respective rights and obligations of the relevant Scheme Creditor(s) and of the Scheme Company in relation to such Claim(s) shall be the same in all respects as they would have been if the Scheme had never become effective.

38.5 The Scheme Company may only propose the termination of the Scheme in relation to a particular Claim or Claims pursuant to clause 38.4 where it appears that the determination of the amount of the Claim may be materially affected by any as yet undetermined circumstance, matter or thing. Factors which may cause the Scheme Company to propose termination under this clause 38.5 include but are not limited to:

38.5.1 insurance or reinsurance market disputes, arbitration or litigation;

38.5.2 continuing development of losses which, in the opinion of the Scheme Company and the Independent Expert has a material effect on the ability to determine the Claim or Claims.

39. Effects of Reversion to Run-Off

39.1 Should the business of the Scheme Company revert to run-off and the Scheme terminate as contemplated by clause 38.2, except where a Scheme Creditor and the Scheme Company expressly agree that the Scheme Creditor's Ascertained Claim should remain binding, the respective rights and obligations of Scheme Creditors and of the Scheme Company in relation to Claims shall be the same in all respects as they would have been had the Scheme never become effective. Claims shall thereafter be run off in the ordinary course of business.

39.2 The provisions of clause 23 shall apply to any payment made by the Scheme Company which discharges in full any Ascertained Claim which the Scheme Company and the Scheme Creditor concerned have agreed should remain binding notwithstanding the reversion to run-off.

39.3 For the avoidance of doubt:

39.3.1 the termination of the Scheme in relation to certain Claims pursuant to clause 38.4 shall not affect its application to all other Claims which shall continue to be bound by its terms; and

39.3.2 following termination of the Scheme pursuant to clause 38.2, clause 12 shall cease to have effect and the Scheme Company shall not be entitled to reject a Claim submitted to it for payment on the basis that it was not notified to the Scheme Company by the Final Claims Submission Deadline in accordance with the provisions of the Scheme.

39.4 For limitation purposes time shall cease to run from the Effective Date until the date on which the Scheme Company reverts to run-off or in respect of such Claim(s) only the date on which a particular Claim or group of Claims revert to run-off. Therefore, the Scheme Company shall not subsequently be entitled to reject a Claim on the basis that it has become time-barred by contract, statute or for any other reason during the Scheme Period. For the avoidance of doubt, time shall start to run again, for limitation purposes, from the date on which the Scheme terminates or in respect of such Claim(s) only the date on which a Claim or group of Claims revert to run-off.

PART 10: TERMINATION OF THE SCHEME

40. Termination of the Scheme

40.1 The Scheme shall terminate on the date on which:

40.1.1 the last payment to a Scheme Creditor is deemed to have been made in accordance with clause 25;

40.1.2 the Scheme Company gives notice to Scheme Creditors in accordance with clause 38.2; or

40.1.3 the Scheme Company becomes subject to any Insolvency Proceedings.

41. Notice of Termination

Within 14 days of the date on which the Scheme terminates pursuant to clause 40.1.1 or 40.1.3 the Scheme Company shall post a notice on the website www.globalre.uk.com/mainstreamscheme stating that the Scheme has terminated.

42. Provisions Surviving Termination

Subject to clause 39.3, clauses 1 to 6, 12, 14.9, 14.11, 23, 24, 25.3, 26, 29, 32, 35, 37, 39, 41, 48, and this clause 42 shall survive termination of the Scheme.

PART 11: GENERAL SCHEME PROVISIONS

43. Effective Date

The Scheme shall become effective on the Effective Date.

44. Modifications of the Scheme

The Scheme Company may, at any hearing by the Court to sanction the Scheme, consent on behalf of Scheme Creditors to any modification of or addition to the Scheme or any terms or conditions which the Court may think fit to approve or impose and which would not as far as the Scheme Company is aware directly or indirectly have a materially adverse effect on the rights of any Scheme Creditor under the Scheme.

45. Notices

45.1 Without prejudice to clause 46, any notice or other written communication to be given under or in relation to the Scheme shall be given in writing and shall be deemed to have been duly given if it is delivered by hand or sent by Post or, in respect of any notice or communication required under Part 3 by fax, to:

45.1.1 GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom fax number +44 (0)20 77173 3301 marked for the attention of Anne Williams or such other address or fax number as the Scheme Company or the Scheme Manager may notify Scheme Creditors for the purposes of this clause 45;

45.1.2 in the case of the Scheme Adviser, PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT, United Kingdom, fax number +44 (0)20 7212 6316, marked for the attention of Mira Bhadresha, or such other address or fax number as the Scheme Adviser may notify to Scheme Creditors for the purpose of this clause 45;

45.1.3 in the case of a Scheme Creditor, its last known address or fax number of which the Scheme Company is aware.

45.2 Any notice or other written communication to be given under the Scheme shall (except as herein otherwise provided) be deemed to have been received:

45.2.1 if delivered by hand, on the first Business Day following delivery;

45.2.2 if sent by Post, on the second Business Day after posting if the recipient is in the country of dispatch and otherwise on the seventh Business Day after posting; and

45.2.3 if sent by fax, upon receipt of a clear fax transmission report;

unless in each case it is established that the notice was actually received at another time, in which case it shall be treated for all purposes as having been received at that time.

45.3 In proving service, it shall be sufficient proof in the case of a notice sent by Post that the envelope was properly stamped, addressed and placed in the Post.

45.4 For the purposes of Part 3, the accidental omission to send any notice, written communication or other document in accordance with this clause 45 or the non-receipt of any such notice by any Scheme Creditor, shall not affect the provisions of that Part.

46. Electronic Communications

46.1 Notwithstanding anything to the contrary in the Scheme, information concerning Claims, (including Claim Forms and copies of any relevant supporting documentation) and any other communications required to be or capable of being given or sent hereunder may be given or sent by the Scheme Company, Independent Expert, Scheme Adviser or the Scheme Creditor concerned in electronic form to the address specified for that purpose by the Scheme Creditor or the Scheme Company or the Independent Expert or the Scheme Adviser (all of whom hereby consent to the use of electronic communications) and references in the Scheme to Post and addresses shall be construed accordingly.

46.2 Where any communication is sent to the Scheme Company in electronic form:

46.2.1 the complete electronic mail including any attachments must be less than 15 megabytes in size;

46.2.2 a hard copy of any electronic mail must be sent to the Scheme Company if the Scheme Company so requests;

46.2.3 receipt by the Scheme Creditor of an automated acknowledgement shall constitute conclusive proof that the electronic mail was sent in accordance with clause 46.1; and

46.2.4 the electronic mail shall not be deemed to have been received unless it is received in the Scheme Company's mail box and the Scheme Company is able to open and print it and any attachments and unless a hard copy is received in accordance with clause 46.2.2.

46.3 Where any communication to the Scheme Company in electronic form exceeds 15 megabytes in size, the electronic mail should be split into multiple electronic mails each of which must be less than 15 megabytes in size, including any attachments. Alternatively, the communication should be sent to the Scheme Company by Post.

46.4 Subject to clause 46.2.4, notice given or information provided in electronic form shall be deemed to have been received on the first Business Day following the expiration of 48 hours after the time it was sent by the sender provided that the same shall have been sent to the address specified for that purpose unless it can be established that the notice was actually received at another time in which case it shall be treated for all purposes as having been received at that time.

46.5 For the purposes of clause 46.4 in the case of a notice sent to the Scheme Company "actually received" shall mean received in the Scheme Company's mailbox in a format which the Scheme Company is able to print and if requested by the Scheme Company in hard copy sent by Post.

47. Calculation of Time Periods

47.1 Time periods laid down by the Scheme which are expressed in days shall be calculated by reference to elapsed days and not Business Days.

47.2 For the purposes of clauses 26.1 or 26.2, a period of six months shall run from the day of the month on which the period commences to the day in the sixth month thereafter numerically corresponding to that day, less one day. Where there is no numerically corresponding day in that month the period shall end on the last day of that month.

47.3 In the event that a time period expires on a day which is not a Business Day, such period shall be deemed not to expire until 5.30pm in England on the Business Day next following.

48. Governing Law and Jurisdiction

48.1 The Scheme shall be governed by, and construed in accordance with, the laws of England. The Scheme Creditors hereby agree that the Court shall have exclusive jurisdiction to hear and determine any Proceedings and to settle any dispute which may arise out of the Long Form Explanatory Statement, the statement explaining the effect of the Scheme prepared and sent to Scheme Creditors pursuant to section 897 of the Act, or any provision of the Scheme, including this clause 48, or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme. For such purposes the Scheme Creditors irrevocably submit to the jurisdiction of the Court provided, however, that nothing in this clause 48 shall affect the validity of any other provisions determining governing law as between the Scheme Company and any of its Scheme Creditors whether contained in any Insurance Contract or otherwise.

48.2 Notwithstanding the provisions of clause 48.1, the Scheme Company retains the right to bring Proceedings in the courts of any other country having jurisdiction under its own laws to hear such Proceedings.

APPENDIX 1

ESTIMATION GUIDELINES

Index

1 Introduction

2 Definitions

3 Facultative Reinsurance of Direct Insurance claims

4 Reinsurance claims

5 Unanticipated latent claims

6 Risk Transfer Premium and discount for the time value of money

1. Introduction

The Estimation Guidelines describe the approach that the Scheme Company would expect a Scheme Creditor to follow in valuing its Claims. The Scheme Company shall apply the Estimation Guidelines in seeking to reach agreement with Scheme Creditors in respect of Notified Outstanding Claims, IBNR Claims and any outwards balances due from Scheme Creditors for set-off purposes.

Each Section of the Estimation Guidelines must be read in its entirety. Reading individual parts of Sections in isolation could be misleading.

The Estimation Guidelines are designed to be of assistance to Scheme Creditors in developing their estimates of Claims by setting out estimation techniques that are generally accepted within the insurance market. Scheme Creditors are not, however, precluded from using other projection techniques where they consider these techniques to be appropriate, provided that such techniques are fully supported and use assumptions that can reasonably be justified by the Scheme Creditor. If the Scheme Company considers that such techniques are well supported and justified, then these will be adopted in valuing Claims.

These Estimation Guidelines provide guidance for the valuation of Claims under Reinsurance Contracts. Scheme Creditors who believe they have Claims arising from contracts of Direct Insurance should contact the Scheme Manager for guidance on how to estimate the value of their Claims.

Scheme Creditors should value Claims as an undiscounted Best Estimate and in accordance with the principles set out in the Estimation Guidelines. In completing the Claim Form, Scheme Creditors should value Notified Outstanding Claims and IBNR Claims as at the Ascertainment Date and then adjust them to take account of:

- Claims that have been paid by the Scheme Company after the Ascertainment Date;
- Any losses that have been notified to the Scheme Creditor after the Ascertainment Date;
- Any new information received by the Scheme Creditor after the Ascertainment Date.

The value arrived at in respect of each Notified Outstanding Claim and each IBNR Claim after applying the above adjustments is the value that must be entered in the Claim Form.

For the avoidance of doubt, the undiscounted best estimate of a personal injury claim that the creditor expects to be settled as a PPO or on a lump sum equivalent basis should be considered as the expected net present value of all future payments, capitalised as at the expected date when the terms of the PPO or equivalent lump sum will be determined or as at the Effective Date if the terms of the PPO or equivalent lum sum have already been determined. The Scheme Creditor will need to make assumptions regarding the payment terms, mortality, indexation of policy retentions, limits and claim payments and any revaluation conditions.

The Scheme Company will determine a Scheme Creditor's Ascertained Claim by adjusting the Agreed Claim to allow for, amongst other things, a Risk Transfer Premium, as set out in clause 15.1 of the Scheme ("Determination of Ascertained Claims") and detailed further at Appendix 3 to the Scheme.

The Scheme Company will not be bound by, or prepared to follow, any settlement made between the Scheme Creditor and another insurer or reinsurer if it believes that settlement to be unreasonable.

The supporting evidence that Scheme Creditors should provide in support of their estimates of Claims is set out in Appendix 2 to the Scheme. The Estimation Guidelines and the Supporting Evidence Guidelines differ according to Reinsurance Contract type:

- Scheme Creditors whose Reinsurance Contract with the Scheme Company is Facultative Reinsurance of Direct Insurance should refer initially to Sections 2 and 3 of this Appendix.

- Scheme Creditors whose Reinsurance Contract with the Scheme Company is:-

  - Treaty Reinsurance;

  - Treaty Retrocession; or

  - Facultative Retrocession

  should refer initially to Sections 2 and 4 of this Appendix.

In some instances, this Appendix makes reference to certain traditionally used actuarial methodologies. For further information on the use of these methodologies and the circumstances in which they can be used, reference can be made to http://www.casact.org/admissions/syllabus/ch5.pdf.

If, at any stage of the process, a Scheme Creditor has any queries relating to the application of the Estimation Guidelines to its claim, it should contact the Scheme Manager for further guidance.

2. Definitions

Various definitions are given below that are relevant to the Estimation Guidelines. References to clause numbers are to clauses of the Scheme. Terms defined in the Scheme have the same meaning when used in this document.

"Agreed Claim"	means the amount determined as being due from a Scheme Company in respect of a Scheme Creditor's Claim pursuant to clauses 13.7, 13.9 or 14.9;
"Ascertained Claim"	the balance, if any, calculated as remaining due from the Scheme Company to a Scheme Creditor pursuant to clauses 15.5 or 15.7 following the adjustments made to the Scheme Creditor's Agreed Claim pursuant to clause 15.1
"Best Estimate"	means an estimate that is not biased either upwards or downwards and is intended to represent the mean of the distribution of possible outcomes;
"Claim"	any claim in respect of a Liability (not being an Excluded Liability) arising under or in relation to any Insurance Contract constituting part of the Scheme Business to which the Scheme Company is subject at the Effective Date or to which it may become subject after the Effective Date by reason of an obligation incurred before that date including any claim for Admissible Interest but excluding Pre-Scheme Agreed Claims;
"Direct Insurance"	means the cover provided by an insurer to a non-insurer policyholder, as opposed to any Reinsurance cover provided to cover insurance risks written by another insurer;
"Facultative Reinsurance"	means a method of reinsurance under which an insurer (ceding insurer) obtains reinsurance for each risk individually where a) there is no obligation on the ceding insurer to reinsure any particular risk; b) it is the ceding insurer's choice as to how much it will cede and how much it will retain for itself on each risk and c) the prospective reinsurer is under no obligation to write any particular risk i.e. it can decline any risk and fix its share of any risk as agreed with the ceding insurer for that risk;
"Facultative Retrocession"	means a method of reinsurance under which a reinsurer (the retrocedant) obtains reinsurances (retrocessions) for each risk individually where a) there is no obligation on the retrocedant to retrocede any particular risk; b) it is the retrocedant's choice as to how much it will retrocede and how much it will retain for itself on each risk and c) the prospective reinsurer providing such retrocession (the retrocessionaire) is under no obligation to write

any particular risk i.e. it can decline any risk and fix its share of any risk as agreed with the retrocedant for that risk;

"IBNR Claim"	means an incurred but not reported Claim, being a Claim for the amount payable by the Scheme Company in respect of a loss which as at the Ascertainment Date has been incurred but has not been reported to the Scheme Creditor plus an estimate of the amount payable by the Scheme Company in respect of a general excess over a Notified Outstanding Claim to the extent that the estimate of that Notified Outstanding Claim may prove to be inadequate, as adjusted pursuant to clause 11.4;
"Insurance Contract"	means a contract or a policy of insurance, reinsurance or retrocession of any kind whatsoever entered into by or on behalf of the Scheme Company or in relation to which the Scheme Company has assumed liability;
"Notified Outstanding Claim"	means a Claim for the amount payable by the Scheme Company in respect of a loss that has been reported to the Scheme Creditor as adjusted pursuant to clause 11.4;
"PPO"	means a periodical payment order made pursuant to section 2 of the Damages Act 1996 (as amended by section 100 and 101 of the Court's Act 2003) as that Act is in force at the Effective Date;
"Pre-Scheme Agreed Claim"	means any claim in respect of a Liability (not being an Excluded Liability) arising under or in relation to any Insurance Contract constituting part of the Scheme Business to which the Scheme Company is subject at the Effective Date in respect of which liability and quantum have been agreed by the Scheme Company prior to the Effective Date by the Scheme Company stamping the relevant claim file and the broker's claims settlement form or by electronic agreement through CLASS but which has not been paid by the Scheme Company;
"Present Value"	The value on the Effective Date of a future payment, or series of future payments, discounted at the Risk Free Rate to reflect the time value of money.
"Reinsurance"	means Facultative Reinsurance, Treaty Reinsurance and Retrocession, save that references in Section 4 below to "Reinsurance" shall not include Facultative Reinsurance of Direct Insurance;
"Reinsurance Contract"	means a contract or a policy of Reinsurance or Retrocession of any kind whatsoever entered into by or on behalf of the Scheme Company or in relation to which the Scheme Company has assumed liability to the extent (but only to the extent) that such

contract, policy or liability constitutes part of the Scheme Business;

"Retrocession" means Treaty Retrocession and Facultative Retrocession;

"Treaty Reinsurance" means a method of reinsurance which is automatic and is an arrangement between one insurer (the ceding insurer) and one or a number of other insurers (the reinsurers) who agree to accept, automatically, any reinsurances falling within the terms of the treaty, where a) the treaty sets out the various terms and conditions that are to govern the acceptance of cessions by the reinsurer and b) the treaty is legally binding on both parties and both parties undertake obligations to each other that go beyond the mere ceding of individual risks or policies under the treaty;

"Treaty Retrocession" means a method of reinsurance which is automatic and is an arrangement between one reinsurer (the retrocedant) and one or a number of other reinsurers (the retrocessionaires) who agree to accept, automatically, any retrocessions (cessions) falling within the terms of the treaty, where a) the treaty sets out the various terms and conditions that are to govern the acceptance of cessions by the retrocessionaire and b) the treaty is legally binding on both parties and both parties undertake obligations to each other that go beyond the mere ceding of individual risks or policies under the treaty.

"Undiscounted Value" The value of a payment or a series of payments payable at a future date without any discount for time value of money.

3. Facultative Reinsurance of Direct Insurance claims

This section describes the Estimation Guidelines that may be of assistance to Scheme Creditors with claims arising under a Reinsurance Contract with the Scheme Company that is Facultative Reinsurance of Direct Insurance.

The points raised in this section will need to be considered in relation to the claim being made by the underlying insured to the Scheme Creditor. Consideration will then need to be given to the resulting claim from the Scheme Creditor to the Scheme Company.

3.1 Projection techniques

For each class of business, type of loss and year over the period that the Scheme Company has provided coverage, a "frequency and severity" method should be adopted. This involves estimating the total number of claims to be received by the Scheme Creditor and estimating the costs that apply to each open claim and to each future claim so that those costs can be set against the policy profile of the Scheme Creditor in order to derive the Scheme Company's share of the costs.

For each class of business, type of loss and year over the period that the Scheme Company has provided coverage, the process may involve the following steps:

- Estimate the ultimate number of claims that will be filed against the Scheme Creditor on each year, by considering the historical development of claims filed for the particular class of business and type of loss (both for that year and for other years);

- Select indemnity costs for each open and future claim on each year, allowing for future inflation, by considering the known information on open claims and the historical development in indemnity costs by notification year for the particular class of business and type of loss (both for that year and for other years);

- Select expense costs (normally defence costs) for each open and future claim on each year, allowing for future inflation, by considering the known information on open claims and the historical development in expense costs by notification year for the particular class of business and type of loss (both for that year and for other years); and

- Apply the indemnity and expense costs selected at an individual claim level for both open and future claims for a particular year to the policy profile that is relevant to that year, and thus to each underlying claim, in order to derive the Scheme Company's share of those costs. This process should give due recognition to any relevant policy terms such as whether expenses are paid within or in addition to limits, both for the Scheme Company's policies and for any lower level policies.

The results of the frequency and severity method set out above can be enhanced by considering likely distributions of claims received by the Scheme Creditor in order better to understand how these claims will result in recoveries from the Scheme Company.

This process can be enhanced further by the adoption of simulation modelling techniques in which statistical distributions can be applied to some or all of the key assumptions, such as the indemnity and expense costs and/or the number of ultimate claims to be reported to the Scheme Creditor. These distributions can then be sampled from many thousands of times for each open and future claim in order to derive a distribution of the total claim against the Scheme Company.

3.2 Alternative approaches where historical information may not be available

If a Scheme Creditor has evidence that it is exposed to liability from a source from which it has as yet no claims experience, it may be appropriate to use information that is not based on past claims experience to support its claim if methods using such information are well supported and include justifiable assumptions.

The approach taken will need to draw from the information available to the Scheme Creditor. It should consider what information and supporting evidence it can gather and thus what approach should be developed which maximises its ability to provide backing information and justification for the assumptions used.

Once the costs against the Scheme Creditor have been established, the liabilities can be applied to the Scheme Company’s policies in the normal manner. Consideration then needs to be given to the likelihood of the claims actually emerging to the extent indicated by the selected methodology. The final result needs to be adjusted for this probability which should be documented in full.

4. Reinsurance claims

This section describes the Estimation Guidelines that may be of assistance to Scheme Creditors with claims arising under an Insurance Contract with the Scheme Company that is Treaty Reinsurance or is Treaty Retrocession or is Facultative Retrocession (but not Facultative Reinsurance of Direct Insurance).

4.1 Overview

If possible, the Scheme Creditor should initially estimate the ultimate claims cost from its inwards claims. This ultimate claims cost should then be applied to the Scheme Creditor's outwards reinsurance programme to calculate ultimate recoveries from the Scheme Company.

To estimate the ultimate claims cost from its inwards claims, catastrophes or other single large distorting losses should first be extracted from the inwards data and analysed separately. Scheme Creditors should refer to Section 4.2 for further detail.

Then the ultimate claims cost in respect of the residual losses should be estimated for each class of business and year of account. Scheme Creditors should refer to Sections 4.3 and 4.4 for further detail.

Once gross ultimate claims have been estimated in accordance with the contents of Sections 4.2 to 4.4, the gross IBNR needs to be allocated in a manner that is suitable for the Scheme Creditor's outwards reinsurance programme to derive the Scheme Company's share of the costs. Scheme Creditors should refer to Section 4.5 for further detail.

Where the Scheme Creditor's data or information are not sufficient to perform the techniques set out in Sections 4.2 to 4.5, they should refer to Sections 4.6 to 4.7.

4.2 Catastrophes or other single large distorting losses

Catastrophes and any other single large distorting losses should be analysed individually. Note that these analyses should ideally be carried out on data that ensures that the results are appropriate to the Scheme Creditor's outwards reinsurance programme. If it becomes necessary to aggregate data across different business classes, it may be necessary to allocate resulting IBNR to the business classes that are suitable for the Scheme Creditor's outwards reinsurance programme. For further guidance in this area, refer to Section 4.5.

The ultimate claims costs for catastrophes and other distorting losses should be estimated using projection approaches as described below:

- Curve fitting historical paid or incurred claims development via use of an appropriate mathematical function, such as the Craighead curve, or, if such a curve cannot be closely enough fitted, a fit by eye can be used;

- Decay methods – for each loss, estimate a factor that represents a typical decline in incremental paid or incurred amounts over an appropriate period. The selected factor should then be applied to the latest paid or incurred increment over an appropriate period to project the applicable amounts of future paid or incurred claims. The projected future amounts can then be added to the cumulative paid or incurred position to determine the gross ultimate claims cost for the loss in question;

- Exposure-based analysis – estimate gross ultimate claims for the loss with reference to the Scheme Creditor's individual inwards exposures. The Scheme Creditor should determine which of its inwards policies are potentially exposed to the loss in question and estimate, on a policy-by-policy basis, the amount of coverage used; or

- Benchmarking – the Scheme Creditor may also adopt benchmarking techniques to produce a gross estimates of the ultimate cost of the loss in question. Further information is available in Section 4.7. In applying the approaches set out in Section 4.7, the policyholder will need to bear in mind that the benchmarks should be applied to gross data, rather than the reinsurance data that is the basis for that section.

For personal injury claims that have been, or the Scheme Creditor expects to be settled as a PPO or on a lump sum equivalent basis, the Scheme Creditor should estimate the expected net present value of all future payments in respect of each claim on an individual basis, capitalised as at the expected date of settlement or as at the Effective Date if the PPO or equivalent lump sum has already been determined. The Scheme Creditor will need to make assumptions regarding the payment terms, mortality, indexation of policy retentions, limits and claim payments and any revaluation conditions.

4.3 Residual losses on proportional or working layer excess of loss Reinsurance contracts

The ultimate claims cost in respect of the residual losses should be estimated for each class of business and underwriting year using one of the following approaches:

- Chain-ladder method, in which the past development of individual years of account is used to estimate future development for less mature years of account; or

- Empirical methodologies on individual years of account e.g. curve-fitting or survival ratio techniques. Curve-fitting techniques are as described in Section 4.2. In the survival ratio technique, a typical paid or incurred increment is selected before a multiplier is applied in order to estimate the future claims cost.

The Scheme Creditor needs to ensure that any paid data that is used in these estimates is free of the distorting effects of structured settlements arising in the past. For example, with respect to past payments relating to personal injury claims that have been settled as a PPO or on a lump sum equivalent basis, such payments would need to be capitalised and included within the data in the period of the initial payment.

For further information on these techniques, refer to the website listed in Section 1.

Scheme Creditors should estimate their gross inwards ultimate claims for each class of business and underwriting year.

4.4 Residual losses on medium to high level excess of loss Reinsurance contracts

The ultimate claims cost in respect of the residual losses impacting medium to high level excess of loss contracts (where losses are expected less frequently than would be the case with working layers) should be estimated for each class of business, underwriting year and layer using, for example, an "average cost per claim" method as follows:

- Estimate the ultimate number of claims that will be received by the Scheme Creditor;

- Select average indemnity and expense costs per claim allowing for future inflation; and

- Multiply the ultimate number of claims by the selected average indemnity cost per claim to derive an estimate of the total indemnity cost, and by the selected average expense cost per claim to derive an estimate of the total expense cost.

The results of the average cost per claim method set out above can be enhanced by considering likely distributions of claims received by the Scheme Creditor in order better to understand how these claims will result in recoveries from the Scheme Company.

This process can be enhanced further by the adoption of simulation modelling techniques in which statistical distributions can be applied to some or all of the key assumptions, such as the average cost of each claim and/or the number of claims to be reported to the Scheme Creditor in the future. These distributions can then be sampled many thousands of times in order to derive a distribution for the aggregate ultimate claims falling within the terms of the reinsurance contract of the Scheme Company.

4.5 Application to reinsurance programme

The estimated ultimate claims costs deriving from inwards claims, as estimated in Sections 4.2, 4.3 and 4.4 should then be applied to the Scheme Creditor's outwards reinsurance programme to derive the Scheme Company's share of the costs.

The results of the estimations described in sections 4.2, 4.3 and 4.4 should ideally already be in a format that is suitable for direct application to the Scheme Creditor's outwards reinsurance programme. If aggregation of data is required in order to estimate inwards claims, then it will be necessary to allocate the resulting IBNR back to the business categories that are suitable for the Scheme Creditor's outwards reinsurance programme. This allocation can be achieved with reference to one or more of the following, depending on the quality and nature of the data available:

- Cumulative paid or incurred claims aggregated for each business category;
- Total case estimates for each business category; or
- A suitable exposure measure such as the total gross premiums or cover originally available or cover remaining for each business category.

Once this allocation has been carried out, the resulting estimates of gross ultimate claims costs can be applied to the Scheme Creditor's outwards reinsurance programme to derive estimates of the recoveries due from the Scheme Company. This application will need to take account of relevant features of the reinsurance coverage, such as the limit and excess points for excess of loss contracts and the proportion ceded for proportional contracts.

In certain circumstances, the Scheme Creditor may be able to apply alternative approaches designed to estimate its reinsurance recoveries at an overall level from all of its reinsurers. However, this analysis may not permit an explicit identification of the Scheme Company's share of the Scheme Creditor's total reinsurance recoveries. In these circumstances, it may be possible to adjust the ratios derived from the Scheme Creditor's total reinsurance recoveries to make them applicable to the reinsurance coverage specific to the Scheme Company. Suitable ratios for use in these circumstances include ratios of IBNR Claims to Notified Outstanding Claims or the ratios of ultimate claims to paid or incurred claims. Necessary adjustments will depend on how the Scheme Company's coverage compares with the Scheme Creditor's total outwards reinsurance programme with respect to the nature, extent and level of the reinsurance coverage specific to the Scheme Company.

If the Scheme Creditor has made use of an approach that employs simulation modelling techniques, the model may need to be tailored so that it is appropriate to the Scheme Creditor's submission. Following any tailoring necessary to make the model appropriate in estimating the Scheme Creditor's recoveries from the Scheme Company, it will be necessary to determine the mean of the distribution of recoveries emerging from the model (in order to be consistent with the requirement for a Best Estimate figure in the Scheme Creditor's claims submission).

4.6 Projections using outwards reinsurance data

Where the Scheme Creditor is unable to carry out the techniques outlined in Sections 4.2 to 4.5 on part or all of the accounts reinsured by the Scheme Company, the Scheme Creditor may be able to apply any of the projection techniques in Sections 4.2 to 4.4 directly to its outwards ceded experience (with no requirement to follow the process described in Section 4.5 since this approach will estimate the Scheme Creditor's reinsurance recoveries directly).

The experience that forms the basis for projection within this Section will be in respect of the cessions under the cover that is the subject of the submission. This would need to be submitted together with reasons why it has not been possible for the Scheme Creditor to follow techniques applied to gross data (as outlined in Sections 4.2 to 4.4) and then set the results emerging from this process against the relevant reinsurance programmes (as outlined in Section 4.5). The Scheme Creditor should also support the submission with benchmarks for which detail is given in the next Section.

Additional consideration will need to be given to features of the outwards reinsurance coverage that may lessen the reliability of results derived using these methods, such as policy limits applying to excess of loss covers.

4.7 Benchmarking techniques

Where the Scheme Creditor's data or information is not sufficient to perform the techniques set out in Sections 4.1 to 4.5 or 4.6, the Scheme Creditor should make use of benchmarking approaches. This would also be expected as support for a submission based on outwards ceded experience, as set out in Section 4.6. If benchmarking techniques are the sole methodology used by the Scheme Creditor, justification will need to be submitted as to why the approaches outlined in Section 4.1 to 4.5 or 4.6 could not be used.

Benchmarks should be applied in respect of paid, outstanding and incurred recoveries between the Scheme Creditor and the Scheme Company. Benchmarks that could be used include ratios of IBNR Claims to Notified Outstanding Claims or ratios of ultimate claims to paid or incurred claims based on an analysis of the Scheme Creditor's exposures. Allowance should be made for the effect of large single movements, such as large losses or major commutations, and for any other features of the experience that could distort these benchmark approaches.

Consideration should be given to the subdivisions of the Scheme Creditor's account which are used in the benchmarking process. A balance needs to be struck between subdividing to make the benchmarking process more appropriate to each subdivision of data and not subdividing so much that the resulting data being used in the benchmarking process lacks statistical credibility.

The types of subdivision will depend on the data available and may consist of any or all of the following:

- Type of loss (e.g. liability or property damage);
- Type of business (e.g. proportional or non-proportional); and
- Class of business.

Where possible, the results from this approach should be supported using development data for ceded paid and incurred claims.

5. Unanticipated latent claims

Where a Scheme Creditor has reason to believe that it has inwards exposure to types of claim that are not yet known about, then, subject to the conditions set out later in this section, the Scheme Creditor can submit a claim for this exposure. Such exposure is expected to diminish over time until it eventually reduces to an immaterial level. The exposure is expected to vary according to several factors, including:

- Class of business;
- Type of policy and other coverage aspects;
- Nature of the (underlying) insured's business, including the industry in which it operates and, consequently, the likely nature of any potential claim;
- Territory.

The Scheme Creditor must supply information to demonstrate it faces the exposure. This information will have regard to the above factors and will need to draw on company and/or industry data to show a non-zero likelihood that unanticipated claim types may emerge in the future that will impact the Scheme Company's policies.

The Scheme Creditor must also provide an estimate of the ultimate cost of the exposure together with appropriate supporting evidence. In view of the diverse nature of the underlying claims, the Scheme Company will accept any reasonable approach, provided that it is appropriately supported and takes into account the factors listed above.

6. Risk Transfer Premium and discount for the time value of money

The preceding sections give guidance to assist the Scheme Creditor in estimating its Claims. Please see clause 15.1 of the Scheme which describes the approach that the Scheme Company will take to adjust the Agreed Claim to determine the Ascertained Claim, allowing for adjustments that include, amongst other things, the Risk Transfer Premium ("Determination of Ascertained Claims"). The Risk Transfer Premium is made up of two distinct elements. The first is a premium resulting from the fact that although the Scheme accelerates the time of payment of Claims, which in the absence of the Scheme would mature over a number of years, the Scheme Company will not be discounting claims to a present value. This part of the premium is therefore equivalent to the difference between the Present Value of Claims, and their undiscounted amount. In addition, the Scheme Company will pay a further premium of 4% on top of the Agreed Claim (having certain adjustments detailed in clauses 15.1.1 and 15.1.2 of the Scheme), the Agreed Claim being the Undiscounted Value of all of a Scheme Creditor's Claims. This approach is detailed further in Appendix 3 ("Risk Transfer Premium") to the Scheme.

APPENDIX 2

SUPPORTING EVIDENCE GUIDELINES

Index

1 Introduction

2 Techniques not covered in Appendix 1

3 Facultative Reinsurance of Direct Insurance claims

4 Reinsurance claims

5 Unanticipated latent claims

1. Introduction

This Appendix sets out the level of supporting evidence that should be supplied by a Scheme Creditor in support of the different approaches used for estimating Claims for different Insurance Contract types and claim loss types as described in the Estimation Guidelines at Appendix 1 to the Scheme.

Terms defined in the Estimation Guidelines and/or the Scheme have the same meaning when used in the Supporting Evidence Guidelines.

2. Techniques not covered in Appendix 1

Wherever the Scheme Creditor adopts projection techniques other than those set out in the Estimation Guidelines at Appendix 1 to the Scheme, full supporting evidence should be provided, including full descriptions of the techniques adopted and the assumptions made, including supporting data to justify each of the assumptions made.

3. Facultative Reinsurance of Direct Insurance claims

This section describes the supporting evidence that should be submitted by Scheme Creditors with claims arising under a Reinsurance Contract with the Scheme Company that is Facultative Reinsurance of Direct Insurance.

In addition to the policy data described below, the Scheme Creditor will also need to supply information with respect to the underlying contracts and insureds that constitute the underlying claim source. This additional information is needed in order to understand exactly how the underlying claim has resulted in a claim to the Scheme Company.

3.1 Projection techniques

Scheme Creditors with Facultative Reinsurance of Direct Insurance claims following the approach set out in Section 3.1 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include, for each class of business and type of loss:

- Policy details as required by the Claim Form;
- The underlying data used and the methodology and assumptions applied to estimate the ultimate number of claims in each year over the period that the Scheme Company has provided coverage;
- The underlying data used and the methodology and assumptions applied to estimate the indemnity and expense costs for open and future claims;
- The historical development of claims filed against each year over the period that the Scheme Company has provided coverage;
- The historical development in indemnity and expense costs by notification year for each year over the period that the Scheme Company has provided coverage; and
- The value of Claims being claimed by the Scheme Creditor from the Scheme Company.

3.2 Alternative approaches where historical information may not be available

Scheme Creditors with Facultative Reinsurance of Direct Insurance claims following the approach set out in Section 3.2 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include full details of the approach taken and justification of assumptions made.

4. Reinsurance claims

4.1 Overview

This section describes the supporting evidence that should be submitted by Scheme Creditors with claims arising under a Reinsurance Contract with the Scheme Company that is Treaty Reinsurance or is Treaty Retrocession or is Facultative Retrocession (but not Facultative Reinsurance of Direct Insurance).

4.2 Catastrophes or other single large distorting losses

Inwards catastrophes and any other distorting losses should be analysed individually following the approach set out in Section 4.2 of the Estimation Guidelines at Appendix 1 to the Scheme. Scheme Creditors should provide supporting evidence with the Claim Form that should include:

- The underlying data used and the methodology and assumptions applied to estimate the ultimate claims cost for each large loss;
  - where a curve has been successfully fitted, details of the mathematical function used together with the selected parameters;
  - where a decay method has been used, reasons why a paid decay method has been selected over an incurred decay (or vice versa) and reasons why the period selected is representative of a typical decay and is therefore suitable for the projection to ultimate;
  - where the exposure-based method has been used, details of the inwards exposures used in the projection together with reasons for the selections of the amounts of coverage used on each individual exposure.
- The historical development of paid and incurred claims for each large loss, at the level at which the projection is being performed; and
- Details of any court or other rulings being relied on, together with details of how these factors have influenced the projection to ultimate.
- Details of medical reports and individual claim-specific information on which the mortality and other assumptions have been based for personal injury claims that have been, or that the Scheme Creditor expects to be, settled as a PPO or on a lump sum equivalent basis.

4.3 Residual losses on proportional or working layer excess of loss Reinsurance contracts

Scheme Creditors with gross losses impacting proportional or low level excess of loss contracts following the approach set out in Section 4.3 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include:

- The underlying data used to estimate the ultimate claims costs for the inwards claims to the Scheme Creditor;
- The methodology and assumptions applied to estimate the total ultimate claims costs for the inwards claims to the Scheme Creditor;
- Where chain-ladder methodologies have been used, details of individual factors to ultimate together with reasons for the selection of a methodology based on paid claims and/or incurred claims;
- Where a survival ratio technique has been used, reasons why a paid increment has been selected over an incurred increment (or vice versa) and reasons why the period selected is representative of a typical decay and is therefore suitable for the projection to ultimate. In the selection of the ratio, the Scheme Creditor should refer to the contents of Section 4.7 on benchmarking;
- The historical development of paid and incurred losses to the policies, at the level at which the projection is being performed which should therefore exclude any losses considered in Section 4.2; and
- If applicable, details of how the paid data has been adjusted for the presence of structured settlements.

4.4 Residual losses on medium to high level excess of loss Reinsurance contracts

Scheme Creditors with gross losses impacting medium to high level excess of loss claims following the approach set out in Section 4.4 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include:

- The underlying data used to estimate the ultimate number of claims and the average indemnity and expense costs per claim;
- The methodology and assumptions applied to estimate the ultimate number of claims;

- The methodology and assumptions applied to estimate the average indemnity and expense costs per claim; and

- The historical development of paid and incurred losses to the policies, at the level at which the projection is being performed.

To the extent that the average cost per claim method has been enhanced by considering likely distributions of claims received by the Scheme Creditor, explanations should be provided to support the selection of the various distributions. Where these differing claims distributions have been relied upon in the submission, via the application of probabilities attaching to the different distributions or otherwise, sufficient detail should be supplied to understand both how the analyses have been relied upon and any assumptions that have been made.

If any of the assumptions are to be modelled using simulation techniques, a detailed description should be supplied that shows clearly which assumptions are being modelled in this way and which are being modelled deterministically, together with detail as to how all the assumptions fit together (including allowance for correlation of different model inputs, if applicable) to produce the resulting distribution of aggregate ultimate claims falling to the reinsurance contract of the Scheme Company. Where an assumption is modelled using simulation techniques, detail should be supplied to support the selection of the mathematical function and parameters used. This detail should include supporting underlying data and analysis relating to the fit of the assumption to the data. The detail of the resulting distribution should be supplied in order to understand the variability of the result around a Best Estimate.

4.5 Application to reinsurance programme

The results of Sections 4.2, 4.3 and 4.4 should then be applied to the Scheme Creditor's outwards reinsurance programme to derive the Scheme Company's share of the costs following the approach set out in Section 4.5 of the Estimation Guidelines at Appendix 1 to the Scheme. Scheme Creditors should provide supporting evidence with the Claim Form that should include:

- Outwards policy details as required by the Claim Form, including details of policies that inure to the benefit of the Scheme Company's policies;

- Details of how the estimates of the ultimate costs for the inwards claims are converted into claims on the outwards reinsurance contracts;

- Where aggregation was used to estimate ultimate inwards claims, the methodology and assumptions used to allocate aggregate IBNR back to the business categories suitable for the Scheme Creditor's outwards reinsurance programme;

- If recoveries due on the Scheme Company's coverage have been derived with reference to adjustments made to ratios applying for the total outwards reinsurance programme, details of the ratios used together with reasoning to support the adjustments, which should include commentary on how the Scheme Company's coverage fits into the Scheme Creditor's outwards reinsurance programme; and

- The value of Claims being claimed by the Scheme Creditor from the Scheme Company.

4.6 Projections using outwards reinsurance data

Scheme Creditors following the approach set out in Section 4.6 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include:

- Outwards policy details as required by the Claim Form, including details of policies that inure to the benefit of the Scheme Company's policies;

- The outwards ceded paid and incurred experience used to estimate the value of the Claims being claimed by the Scheme Creditor;

- The methodology and assumptions applied to estimate the value of the Claims being claimed by the Scheme Creditor, together with detail to understand how potential shortcomings of this approach have been overcome, such as the exhaustion of coverage available;

- The value of the Claims being claimed by the Scheme Creditor from the Scheme Company;

- Justification for why the approaches outlined in Sections 4.2 to 4.5 of the Estimation Guidelines at Appendix 1 to the Scheme could not be applied; and

- Supporting evidence for benchmarking techniques for which detail is given in Section 4.7.

4.7 Benchmarking

Scheme Creditors following the approach set out in Section 4.7 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include:

- Outwards policy details as required by the Claim Form, including details of policies that inure to the benefit of the Scheme Company's policies;
- Type of claim;
- Details of the benchmarks and how they have been applied;
- Evidence to justify why the benchmarks used apply to the Scheme Creditor;
- The value of Claims being claimed by the Scheme Creditor from the Scheme Company; and
- Justification for why the approaches outlined in Sections 4.2 to 4.6 of the Estimation Guidelines at Appendix 1 to the Scheme could not be applied.

5. Unanticipated latent claims

Scheme Creditors submitting a claim in respect of unanticipated latent claims, following the approach set out in Section 5 of the Estimation Guidelines at Appendix 1 to the Scheme should provide supporting evidence with the Claim Form that should include:

- Policy details as required by the Claim Form, including details of policies that inure to the benefit of the Scheme Company's policies;
- Information to demonstrate the existence and likelihood of the exposure, which will need to draw on company and industry data;
- The value of Claims being claimed by the Scheme Creditor from the Scheme Company; and
- The methodology and assumptions used to estimate the total value of the Claims being claimed by the Scheme Creditor from the Scheme Company.

APPENDIX 3

RISK TRANSFER PREMIUM

The Estimation Guidelines at Appendix 1 to the Scheme give guidance to assist the Scheme Creditor in valuing its Claims. This Appendix describes the approach that the Scheme Company will take to adjust Scheme Creditors' Agreed Claims to include the payment of a premium that recognises the fact that risk is being transferred back onto the Scheme Creditor's balance sheet. The Risk Transfer Premium consists of the benefit of the absence of discounting for time value of money and an additional uplift of 4% on the Undiscounted Value of Claims as determined under the Scheme.

Terms defined in the Scheme have the same meaning when used in this Appendix.

1. Overview

In the normal course of events, Notified Outstanding Claims and IBNR represent estimates of the value of Claims that are payable at a future point in time. Any debt which is owed in the future but paid early would normally incur a discount for time value of money, resulting in a payment of the Present Value.

However, under the Scheme (subject to the points made below in Section 2), the Scheme Company will pay Claims which are finally agreed or determined under the Scheme without applying any discount, and therefore at a premium to their Present Value. That premium is equivalent to the excess of the Undiscounted Value of the Claims over their Present Value. In addition to the premium represented by the absence of any discounting for the time value of money, the Scheme Company will pay an additional 4% on top of the Undiscounted Value of Claims as determined under the Scheme after deduction of any Reinstatement Premium and allowance for set-off. In most cases, therefore (subject to the points made below in Section 2), Scheme Creditors are expected to receive a premium over and above the value of their Agreed Claim in today's monetary terms.

2. Limitations on the amount payable to Scheme Creditors

There are situations where no risk or only limited risk is being passed back to the Scheme Creditor because the Claims are at or near the maximum amount payable to a Scheme Creditor in relation to an underlying loss.

The amount paid to Scheme Creditors will therefore be limited in the following situations:

- Where losses are assessed individually (e.g. aggregated claims set against an individual underwriting year or catastrophe claims), the maximum possible value of the Claims will be the Scheme Company's share of the remaining total combined policy limits available for each loss ("Remaining Loss Limit") i.e. the total remaining vertical coverage available for each loss. For such losses, the maximum amount payable to Scheme Creditors will be the Remaining Loss Limit after discounting to allow for the time value of money.

- Where losses are assessed in aggregate (e.g. attritional claims), if the Scheme Company can demonstrate that an element of the Claims does, in fact, relate to individual losses then the maximum amount payable to Scheme Creditors for that element will be the Remaining Loss Limit for that element after discounting to allow for the time value of money.

- Where a structured agreement exists between the Scheme Company and Scheme Creditor (i.e. an agreement providing for a sequence of payments such as an annuity type agreement), and the maximum amount payable by the Scheme Company is capped, the maximum amount payable to Scheme Creditors will be the remaining value of the Claim up to the capped amount, after discounting to allow for the time value of money.

Where discounting for the time value of money is considered above, discounting will be performed by the Scheme Company by applying the Risk Free Rate (as defined in the Scheme) to expected payment patterns, as at the Effective Date, that the Scheme Company considers are appropriate to the nature of the Claims comprising the Agreed Claim.

In situations where the Risk Transfer Premium is limited by the conditions in Section 2, the Scheme Company's approach to agreeing outwards balances due from Scheme Creditors for the purposes of set-off will be consistent with the treatment of inwards Claims.

APPENDIX 4

RELIEF UNDER THE UNITED STATES BANKRUPTCY CODE

The Scheme Company may apply for relief from the United States Bankruptcy Court under Chapter 15 of the United States Bankruptcy Code, seeking an order (the "Order") providing that

(a) the Scheme be given full force and effect and be binding on and enforceable against any person or entity that is a Scheme Creditor, including, without limitation, against such person or entity, that is a Scheme Creditor, in its capacity as a debtor of the Scheme Company, in the United States;

(b) a Valuation Statement, including all amounts set forth therein, shall be final and binding on the Scheme Company and any person or entity that is a Scheme Creditor, including, without limitation, against such person or entity, that is a Scheme Creditor, in its capacity as a debtor of the Scheme Company;

(c) all Scheme Creditors be permanently enjoined and restrained from:

a. relinquishing or disposing of any Property of the Scheme Company, or the proceeds of such Property, to third parties in a manner that is not in compliance with the Scheme;

b. commencing or continuing any Proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative or regulatory action, proceedings or process whatsoever) against the Scheme Company or any of its Property except as provided in the Scheme;

c. enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award and commencing or continuing any act or any action or other Proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative or regulatory action, proceedings or process whatsoever) to create, perfect or enforce any lien, set-off or other claim against the Scheme Company or any of its Property, except as permitted in the Scheme; and

d. invoking, enforcing or relying on the benefits of any statute, rule or requirement of federal, state, or local law or regulation requiring the Scheme Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition of prosecuting or defending any Proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative or regulatory action, proceedings or process whatsoever) and such statute, rule or requirement will be rendered null and void for Proceedings; provided, however, that nothing in the Order shall in any respect affect any Security in existence at the Effective Date or the replacements for such Security;

e. withdrawing from, setting off against, or otherwise applying Property that is the subject of any trust, escrow agreement or similar arrangement in which the Scheme Company has an interest in excess of amounts expressly authorised by the terms of the trust, escrow, or similar arrangement;

(d) nothing in the Order would prevent the continuance or commencement of Proceedings against any other insurer other than the Scheme Company;

(e) the United States Bankruptcy Court would retain jurisdiction with respect to the enforcement, amendment or modification of the Order or requests for any additional relief in the case and all adversary proceedings in connection therewith properly commenced and within the jurisdiction of the United States Bankruptcy Court;

(f) no action taken by the Scheme Company, the Board, the Scheme Adviser, their successors, agents or representatives, or any of them, or their counsel, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of the Scheme, the case under Chapter 15 of the United States Bankruptcy Code, the Order, or any further order for additional relief in the Chapter 15 case, or any adversary proceedings in connection therewith as the United States Bankruptcy Code may make, will be deemed to constitute a waiver of the immunity afforded to the Scheme Company, the Board, the Scheme Adviser, their successors, agents or representatives under the law of the United States or otherwise;

(g) in accordance with the Scheme, the Scheme Company, the Board, the Scheme Adviser, the Independent Expert, their successors, agents or representatives will be immune to challenge by a Scheme Creditor in relation to the validity of actions in furtherance of the Scheme, taken within their respective powers and in good faith and with due care and diligence or in the exercise or performance of any power, right, duty or function conferred upon them under the Scheme and no such party would be liable for any loss unless such loss was attributable to their own fraud or dishonesty; and

(h) the Order be served:

a. by United States mail, first class postage prepaid, on or before the date prescribed by the United States Bankruptcy Court upon Scheme Creditors and other parties in interest located in the United States; and

b. by publication in The Wall Street Journal (U.S. Edition) and Business Insurance on or before the date prescribed by the United States Bankruptcy Court;

and that such service will be good and sufficient service and adequate notice for all purposes.

PART III

A. NOTICE OF MEETINGS

IN THE HIGH COURT OF JUSTICE **No 8337 of 2010**

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

AND IN THE MATTER OF THE COMPANIES ACT 2006 OF GREAT BRITAIN

SCHEME OF ARRANGEMENT

between

GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

(former names The Christiania Reinsurance Company Limited, United Reinsurers Limited, Gerling Global Reinsurance Company Limited and Gerling Global General and Reinsurance Company Limited)

and

its Scheme Creditors

(as defined in the schemes of arrangement referred to below)

NOTICE IS HEREBY GIVEN that by an order dated 21 October 2010 made in the High Court of Justice of England and Wales in the above matter the Court has directed that meetings of the Scheme Creditors (as defined in the scheme of arrangement hereinafter mentioned) (the "**Meetings**") of the above named company (the "**Company**") be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and its Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "**Scheme**"). The Meetings will be held on 17 December 2010 at the offices of Clyde & Co LLP, 51 Eastcheap, London, EC3M 1JP, United Kingdom, commencing at 11 am (London time). All Scheme Creditors are requested to attend at such place and time either in person or by proxy. Two separate Meetings will be held by the Company, one Meeting for Scheme Creditors with Notified Outstanding Claims and one Meeting for Scheme Creditors with IBNR Claims (each as defined in the Scheme). If you are a Scheme Creditor with both Notified Outstanding Claims and IBNR Claims you will be entitled to vote at both Meetings.

Scheme Creditors may vote in person at the Meeting(s) or may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

Scheme Creditors are in summary all policyholders having claims or potential future claims arising under or in connection with all insurance or reinsurance policies underwritten by the Company, including reinsurance policies administered by IMIU International Mining Industry Underwriters Limited and excluding claims arising under those policies or parts of policies of Direct Insurance providing the cover required by Section 1 of the Employers' Liability (Company Insurance) Act 1969 or Article 5 of the Employers' Liability (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972 and unresolved claims arising under direct insurance policies that fall within the scope of a scheme of arrangement implemented by the Company which became effective on 8 February 2006.

Completed forms of proxy and voting forms in respect of the Scheme should be returned to GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom marked for the attention of Anne Williams.

Forms must be received by noon (London time) on 14 December 2010, although if not so returned forms may be handed in at the registration desk at the Meetings prior to commencement of the Meetings. You may also return your form of proxy and voting form by fax. Forms should be sent to fax number +44 (0) 20 7173 3301 to be received by noon (London time) on 14 December 2010, or scanned, saved in Portable Document Format (PDF) and returned by email to enquiries.mainstreamscheme@globalre.uk.com. You are requested to return the original forms to the above address marked for the attention of Anne Williams to be received by noon (London time) on 24 December 2010 or hand them in at the registration desk at the Meetings prior to their commencement.

Faxed and emailed forms will only be accepted if legible and, in the case of emailed forms, if they are received in the mailbox of the addressee, and can be opened and printed by the addressee.

A copy of the proposed Scheme and a statement explaining the effect of the Scheme, as well as blank forms of proxy and voting forms, may be downloaded and printed from the website www.globalre.uk.com/mainstreamscheme. They may also be obtained by attending at, or on written application to GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom (marked for attention of Anne Williams) before noon (London time) on 14 December 2010.

The Court has appointed Dan Schwarzmann of PricewaterhouseCoopers LLP to act as chairman of the Meetings and has directed the chairman of the Meetings to report the result of the Meetings to the Court. The Court has appointed Graham Trowbridge to act as independent vote reviewer for the purposes of reviewing the values placed on Claims for voting purposes in certain circumstances and preparing a report on the reasonableness of those values for submission to the Court.

If approved by the requisite majority of creditors at each meeting, the Scheme will be subject to the subsequent approval of the Court.

If the Scheme is sanctioned, the Company will file a petition in the United States of America under Chapter 15 of the United States Bankruptcy Code commencing a proceeding in the United States Bankruptcy Court to aid effective implementation of the Scheme.

Any policyholder who has any questions concerning the action he is required to take should contact the Company using the details set out below:

GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom Tel: +44 (0) 20 7173 3320 Fax: +44 (0) 20 7173 3301
Email: enquiries.mainstreamscheme@globalre.uk.com
Website: www.globalre.uk.com/mainstreamscheme

DATED THIS 22 day of October 2010

B. NOTICE TO BE ADVERTISED

IN THE HIGH COURT OF JUSTICE **No 8337 of 2010**

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

AND IN THE MATTER OF THE COMPANIES ACT 2006 OF GREAT BRITAIN

SCHEME OF ARRANGEMENT

between

GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED

(former names The Christiania Reinsurance Company Limited, United Reinsurers Limited, Gerling Global Reinsurance Company Limited and Gerling Global General and Reinsurance Company Limited)

and

its Scheme Creditors

(as defined in the schemes of arrangement referred to below)

NOTICE IS HEREBY GIVEN that by an order dated 21 October 2010 made in the High Court of Justice of England and Wales in the above matter the Court has directed that meetings of the Scheme Creditors (as defined in the scheme of arrangement hereinafter mentioned) (the "**Meetings**") of the above named company (the "**Company**") be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and its Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "**Scheme**"). The Meetings will be held on 17 December 2010 at the offices of Clyde & Co LLP, 51 Eastcheap, London, EC3A 1JP, United Kingdom, commencing at 11 am (London time). All Scheme Creditors are requested to attend at such place and time either in person or by proxy. Two separate Meetings will be held by the Company, one Meeting for Scheme Creditors with Notified Outstanding Claims and one Meeting for Scheme Creditors with IBNR Claims (each as defined in the Scheme). If you are a Scheme Creditor with both Notified Outstanding Claims and IBNR Claims you will be entitled to vote at both Meetings.

Scheme Creditors may vote in person at the Meeting(s) or may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

Scheme Creditors are in summary all policyholders having claims or potential future claims arising under or in connection with all insurance or reinsurance policies underwritten by the Company including reinsurance policies administered by IMIU International Mining Industry Underwriters Limited and excluding claims arising under those policies or parts of policies of Direct Insurance providing the cover required by Section 1 of the Employers' Liability (Company Insurance) Act 1969 or Article 5 of the Employers' Liability (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972 and unresolved claims arising under direct insurance policies that fall within the scope of a scheme of arrangement implemented by the Company which became effective on 8 February 2006.

A copy of the proposed Scheme and a statement explaining the effect of the Scheme, including further details of the business underwritten by the Scheme Company and the business affected by the Scheme (the "**Scheme Document**") as well as blank forms of proxy and voting forms, may be downloaded and printed from the website www.globalre.uk.com/mainstreamscheme. They may also be obtained by attending at, or on written application to GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom (marked for attention of Anne Williams) before noon (London time) on 14 December 2010. Proxy and voting forms should be returned in accordance with the instructions on them and at Part IV of the Scheme Document by 14 December 2010 or handed in at the relevant Meeting prior to its commencement.

The Court has appointed Dan Schwarzmann of PricewaterhouseCoopers LLP to act as chairman of the Meetings and has directed the chairman of the Meetings to report the result of the Meetings to the Court. The Court has appointed Graham Trowbridge to act as independent vote reviewer for the purposes of reviewing the values placed on Claims for voting purposes in certain circumstances and preparing a report on the reasonableness of those values for submission to the Court.

If approved by the requisite majority of creditors at each meeting, the Scheme will be subject to the subsequent approval of the Court.

If the Scheme is sanctioned, the Company will file a petition in the United States of America under Chapter 15 of the United States Bankruptcy Code commencing a proceeding in the United States Bankruptcy Court to aid effective implementation of the Scheme.

Any policyholder who has any questions concerning the action he is required to take should contact the Company using the details set out below:

GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom Tel: +44 (0) 20 7173 3320 Fax: +44 (0) 20 7173 3301
Email: enquiries.mainstreamscheme@globalre.uk.com
Website: www.globalre.uk.com/mainstreamscheme

PART IV

GUIDANCE NOTES AND INSTRUCTIONS RELATING TO CONDUCT OF THE MEETINGS AND COMPLETION OF THE PROXY AND VOTING FORMS

Please note that the terms contained within these guidance notes and instructions which have been defined in the Scheme bear the meanings given to them in the Scheme, unless the context otherwise requires.

Introduction

If you are a Scheme Creditor you will be entitled to attend and vote, either in person (which includes in the case of a corporation, partnership or other unincorporated body, sending a duly authorised representative) or by proxy, at the relevant meeting(s) of Scheme Creditors summoned to consider the Scheme ("**Meetings**"). You may appoint any person as your proxy, whether or not that person is a Scheme Creditor.

Two separate Meetings will be held by the Scheme Company, one Meeting for Scheme Creditors with Notified Outstanding Claims and one Meeting for Scheme Creditors with IBNR Claims. If you are a Scheme Creditor with both Notified Outstanding Claims and IBNR Claims you will be entitled to vote at both Meetings.

You should have received enclosed with the letter giving notice of the Meetings the following forms:

1. form of proxy;

2. voting form.

You are urged to complete and return both the form of proxy and voting form, whether or not you intend to appoint a proxy.

Detailed instructions for completing the forms are given on the forms, and some general guidance follows. You are urged to allow sufficient time before the Meetings to research the information required to complete the voting form.

Please ensure that you address all parts of the form of proxy and voting form, indicating those parts which are not relevant to you.

The form of proxy

If you do not wish to attend the Meeting(s) in person, you may appoint the chairman of the relevant Meeting(s) (the **"Chairman"**), or some other person, as your proxy to represent you. A Scheme Creditor's proxy must attend the relevant Meeting if that Scheme Creditor's vote is to be counted. Please note that corporations (which includes companies), partnerships and other unincorporated entities can only attend a Meeting by proxy or by duly authorised representative.

Individuals appointed as corporate representatives to attend a Meeting on behalf of a Scheme Creditor who is a corporation, partnership or other unincorporated body must bring with them the resolution of the board or other governing body appointing them, or a certified copy of it, or a letter certifying the appointment and signed by an authorised signatory.

It is particularly important that you sign the front page of the form of proxy indicating by your signature whether you are voting, or instructing the person appointed as your proxy to vote, for or against the Scheme. If you are appointing a proxy and wish to give your proxyholder a discretion to vote for or against (or abstain) at the relevant Meeting you should sign the box marked "AT DISCRETION". **If you intend to sign the box marked "AT DISCRETION" you must appoint a person other than the Chairman as your proxy, otherwise your vote will not be counted.**

You must also indicate your estimate of the aggregate value of your Claims, including an estimate of any future or contingent Claims.

The voting form

The purpose of completing a voting form is to provide supporting evidence for your valuation of your Claim inserted in the form of proxy which will enable the Scheme Company, Graham Trowbridge (the "**Independent Vote Reviewer**"), who has been appointed to review the valuation of Claims for voting purposes in certain circumstances and ultimately the Chairman to assess the reasonableness of your valuation. The voting form requires you to:

- identify each Insurance Contract, together with broker details, under or in relation to which you have a Claim;
- specify the amount of your Claim against the Scheme Company arising under or in relation to each Insurance Contract; and
- to deduct the amount of any known Security or Letter of Credit and any applicable set-off.

If you wish to vote in respect of an estimate of contingent or future Claims, you should furnish supporting evidence for your estimate in accordance with the instructions contained on the voting form and the Estimation Guidelines which can be downloaded from www.globalre.uk.com/mainstreamscheme.

Your insurance or reinsurance broker or other intermediary may be able to provide information concerning Insurance Contracts under which you may have a Claim against the Scheme Company. If you are unable to identify contract information from your own records or intermediary, the Scheme Manager may be able to assist. Please contact the Scheme Manager using the contact details set out at the end of these guidance notes and a schedule of any

policy information the Scheme Company has regarding your involvement will be sent as soon as practicable following receipt of your request.

Please ensure that you correctly identify the Insurance Contract(s) in respect of which you intend to claim for voting purposes. Before admitting your Claim to vote at the relevant Meeting, the Chairman will be obliged to satisfy himself that your Claim is reasonable. If you do not specify each of the Insurance Contracts under which your Claim arises, it is possible that the Chairman will be not be able to satisfy himself that your Claim is reasonable, and accordingly it may not be admitted for voting purposes.

The Scheme Company has been advised that particulars as to estimates of the amount of any future Claims furnished by a Scheme Creditor for voting purposes may not be protected by privilege under English law (or other relevant laws) and may be discoverable by a third party with a claim against the Creditor in any action or proceeding to which the Scheme Creditor may be a party. You should consult your legal adviser as to the consequences for you of furnishing such particulars in relation to any litigation in which you are or may become involved.

Valuation of claims for voting purposes

Claims will be admitted for voting purposes:

- at their actual amount in the case of Claims which relate to losses incurred by you which are certain in amount or Liabilities you have incurred which are certain in amount and have either been paid by you or which are due and payable by you; or

- at an estimated amount where the Claims relate to losses or Liabilities incurred by you that are not certain in amount; or

- at a nominal amount in cases where the Chairman considers that on the basis of the evidence available to him it is not possible to put a higher value on the Claim for voting purposes;

less the amount of any known Security or Letter of Credit and any applicable set-off.

Please note that claims which have crystallised in the ordinary course of business and in respect of which liability and quantum have been agreed by the Scheme Company, but which remain unpaid, are not subject to the Scheme procedures for determination and payment of Claims. For these purposes, "agreed by the Scheme Company" means agreed by the Scheme Company stamping the relevant claim file and the broker's claims settlement file or by electronic agreement through CLASS. Such claims will continue to be paid by the Scheme Company should the Scheme be implemented in the same way as they would be paid if the Scheme were not implemented. As a result, Scheme Creditors are not entitled to vote in respect of such claims.

However, the voting form contains a section for including details of claims which the Scheme Creditor believes have already been agreed by the Scheme Company, and Scheme Creditors should include such claims where indicated. Scheme Creditors should be aware that notification of claims to brokers and/or the Scheme Company does not of itself mean that the claims have been agreed. In the event that the Scheme Company has no record of having agreed a claim that a Scheme Creditor has noted on its voting form as having been agreed, the Scheme Company will treat that claim as a Notified Outstanding Claim for voting purposes.

Claims should be valued as at the Ascertainment Date, 31 December 2009. However, Scheme Creditors should adjust Claims to take account of:

- Claims that have been paid by the Scheme Company after the Ascertainment Date;
- Any losses that have been notified to the Scheme Creditor after the Ascertainment Date;
- Any new information received by the Scheme Creditor after the Ascertainment Date.

In the first instance, all Claims submitted for voting purposes will be reviewed by the Scheme Company (as outlined below). In the event that some Scheme Creditors vote against the Scheme at one or both of the Meetings, the Independent Vote Reviewer will carry out a review of votes at the relevant Meeting, but will not necessarily review all votes submitted. The Scheme Company will determine whether valid votes submitted against the Scheme would, if admitted at the values submitted by the Scheme Creditors concerned, be of a sufficient magnitude to affect the outcome of the Meeting. The Scheme Company will not, however, take account of any part of a vote value which exceeds the amount the Scheme Company could possibly be required to pay under the relevant policy, having taken account of the available limits and where relevant any excess or attachment points. If valid votes submitted against the Scheme would not if admitted at the value placed on them by the Scheme Creditors concerned affect the outcome of the Meeting, the Scheme Company may request the Independent Vote Reviewer to review only the votes against the Scheme and sufficient votes in favour of the Scheme to reach the statutory majorities required to approve the Scheme. In all other circumstances, the Independent Vote Reviewer will review all votes submitted at the Meeting, whether against or in favour of the Scheme.

For the purposes of carrying out his review, the Independent Vote Reviewer will be provided with details of the vote values and copies of the voting forms and supporting information but will not know which votes were in favour of the Scheme and which against. The Independent Vote Reviewer will also be provided with details of the Scheme Company's assessment of the Claims admitted for voting purposes. The Independent Vote Reviewer will not be required to request any additional supporting information from Scheme Creditors, and will be entitled to base his view on the information supplied with the voting form and the evidence provided by the Scheme Company only.

Scheme Creditors with Claims which are disputed by the Scheme Company will be eligible to attend and vote at the Meeting(s). In reaching its view as to the value for which a Claim should be admitted for voting purposes, the Scheme Company will review the information available from its own records and the supporting information provided by the relevant Scheme Creditor with its voting form and will not be required to ask for further information from the Scheme Creditor should the information supplied by the Scheme Creditor be insufficient. It is therefore important that Scheme Creditors provide as much supporting information as possible to support the value of their Claims for voting purposes. If the Scheme Company does not consider that the vote value submitted by the Scheme Creditor is reasonable, it will assess the value (which may be zero) which should be placed on the Scheme Creditor's vote.

The Chairman will be provided with the results of the Scheme Company's assessment of the Claim values submitted for voting purposes. If required to conduct a review of any Claim values submitted for voting purposes, the Independent Vote Reviewer will discuss the results of that review with the Chairman. The Chairman's decision as to the value for which a Claim is to be admitted for voting purposes is final and binding, subject to the Scheme Creditor's right to appeal to the Court. Where a Claim is rejected in whole or in part, the Chairman will advise the Scheme Creditor of this decision, prior to the Meetings where possible, and in any event prior to any hearing of the Scheme Company's application to sanction the Scheme.

As already mentioned, in the event that the Independent Vote Reviewer is required to perform a review, the Independent Vote Reviewer will prepare a report on the outcome of his review of the relevant Scheme Creditors' Claims for voting purposes, which will be submitted to the Court as part of any application to sanction the Scheme. It is uncertain how long a review by the Independent Vote Reviewer will take but no application to sanction the Scheme will be made until the review is complete and the Independent Vote Reviewer has prepared his report.

The admission of a Claim for voting purposes does not constitute an admission of the existence or amount of any Liability of the Scheme Company and will not bind the Scheme Company concerned or its Scheme Creditors. Estimates of Claims produced for voting purposes whether by Scheme Creditors or the Chairman will not determine the amount that will be paid to the Scheme Creditor concerned under the Scheme, but will be used for voting purposes only.

Although Claims against the Scheme Company may be denominated in other currencies, for voting purposes, Scheme Creditors' Claims will be converted, where necessary, to Sterling. The rate of exchange used for this purpose will be the mid-market closing rate quoted by The Financial Times on the Wednesday preceding the Meetings.

The Scheme Company wishes to encourage Scheme Creditors to come forward to discuss their Claims valuations prior to the Meetings, with a view to resolving any potential issues and if desired agreeing an indicative valuation. Scheme Creditors wishing to do so are invited to write to the Scheme Company at the address set out below.

Scheme Creditors who are concerned about limitation periods expiring in relation to their Claims during the period before the Effective Date should contact the Scheme Manager to discuss a standstill agreement.

Return of the form of proxy and voting form

Completed forms of proxy and voting forms should be returned to GLOBAL General and Reinsurance Services Limited, 4 Eastcheap, London, EC3M 1AE, United Kingdom marked for the attention of Anne Williams.

Forms must be received by noon (London time) on 14 December 2010, although if not so returned forms may be handed in at the registration desk at the Meetings prior to commencement of the Meetings. You may also return your form of proxy and voting form by fax. Forms should be sent to fax number +44 (0) 20 7173 3301 to be received by noon (London time) on 14 December 2010, or scanned, saved in Portable Document Format (PDF) and returned by email to enquiries.mainstreamscheme@globalre.uk.com. You are requested to return the original forms to the above address marked for the attention of Anne Williams to be received by noon (London time) on 24 December 2010 or hand them in at the registration desk at the Meetings prior to their commencement.

Faxed and emailed forms will only be accepted if legible and, in the case of emailed forms, if they are received in the mailbox of the addressee, and can be opened and printed by the addressee.

Further information

If you have any questions concerning the completion of the voting form please contact:

GLOBAL General and Reinsurance Services Limited 4 Eastcheap London EC3M 1AE United Kingdom Tel: +44 (0) 20 7173 3320 Fax: +44 (0) 20 7173 3301
Email: enquiries.mainstreamscheme@globalre.uk.com

The Scheme Manager will respond to questions as quickly as possible. If you cannot immediately speak to someone, please leave your name, company name, telephone number and a brief description of your enquiry and your call will be returned.

If you have any questions concerning the proposed Scheme, please contact the Scheme Manager using the contact details set out above.

Please read the Scheme carefully. If you are in any doubt as to the action you should take, you should consult your insurance or reinsurance broker or other professional adviser without delay.